PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED
昌興國際控股(香港)有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 803

MAKING HEADWAY

ANNUAL REPORT 2019

This annual report is printed on environmentally friendly paper

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WONG Ben Koon, *Chairman*
Ms. Gloria WONG
Mr. XIE Qiangming, *Chief Executive Officer (appointed on 4 July 2019)*
Mr. NIE Qiaoming *(appointed on 5 July 2019)*
Mr. MA Xin *(appointed on 8 July 2019)*
Mr. LI Zhimin *(resigned on 31 December 2018)*
Dr. MAO Shuzhong *(resigned on 8 July 2019)*
Mr. WANG Jiafu *(resigned on 8 July 2019)*
Mr. KONG Siu Keung *(resigned on 8 July 2019)*

Non-executive Directors

Mr. LIU Yongshun *(resigned on 8 July 2019)*
Mr. WU Likang *(resigned on 8 July 2019)*

Independent Non-executive Directors

Mr. CHAN Kai Nang
Mr. ZHAO Gen *(appointed on 5 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*

Qualified Accountant

Mr. KONG Siu Keung, *FCPA, FCCA*

Company Secretary

Mr. KONG Siu Keung, *FCPA, FCCA*

Authorised Representatives

Mr. WONG Ben Koon
Mr. KONG Siu Keung

Audit Committee

Mr. ZHAO Gen, *Chairman (appointed on 8 July 2019)*
Mr. CHAN Kai Nang *(appointed on 8 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*

Remuneration Committee

Mr. GUAN Guisen, *Chairman (appointed on 8 July 2019)*
Mr. XIE Qiangming *(appointed on 8 July 2019)*
Mr. ZHAO Gen *(appointed on 8 July 2019)*
Mr. CHAN Kai Nang *(ceased on 8 July 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*

Nomination Committee

Mr. ZHAO Gen, *Chairman (appointed on 8 July 2019)*
Mr. XIE Qiangming *(appointed on 8 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. CHAN Kai Nang *(ceased on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*
Mr. KONG Siu Keung *(resigned on 8 July 2019)*

Head Office and Principal Place of Business

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Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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Certified Public Accountants
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Company Website

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CHAIRMAN'S STATEMENT

Prosperity International Holdings (H.K.) Limited (the "Company", which together with its subsidiaries, is collectively referred to as the "Group") had a very difficult time in the financial year ended 31 March 2019 (the "Year"). Although it had already shifted the focus of its business to property investment and development in order to mitigate the adverse effect of the cyclical nature of the iron ore mining industry and the consolidation of that industry, that business strategy had to take time to yield effect. Meanwhile, the Group was still suffering impairment losses in its iron ore mining and processing business which has been suspended since 2015. It halted the iron ore mining and processing operations to minimise the operating loss because the iron ore price had not yet stabilised at a high enough level for them to be profitable.

During the Year, the Group continued sales efforts at its property projects and sold some assets with the aim of raising funds for meeting a large amount of short-term financial obligations.

Results Overview

The Group recorded a net loss of approximately HK$1,935 million for the Year because of a decrease in revenue generated from sales of properties; further impairment losses made against the Group's iron ore mining and processing businesses during the Year; impairment losses on its prepayments and loan and other receivables; and the fair value losses on the financial assets at fair value through profit or loss and fair value losses on investment properties.

Revenue for the Year decreased by 48% to approximately HK$2,331 million mainly because income from the business of trading in iron ore and other raw materials and sales of properties decreased by HK$1,338 million and HK$832 million respectively.

Basic loss per share was 139.57 HK cents for the Year, compared with the basic loss of 77.72 HK cents (restated) per share for the year ended 31 March 2018 (the "Previous Financial Year"). The board (the "Board") of the directors (the "Directors") of the Company does not recommend payment of a final dividend for the Year (the Previous Financial Year: Nil).

Business Review

Property Investment and Development

The Chinese government's stringent regulation of the property market that started in 2017 continued well into 2018 with the aim of ensuring sufficient housing supply and of curbing speculative investment. This, coupled with the outbreak of China's trade disputes with the United States of America ("USA") and the resultant slowdown in the Chinese economy, affected home buyers' sentiment. As a result, the growth in sales of commodity properties in terms of gross floor area ("GFA") decelerated drastically in China in 2018 compared with that in 2017.

The Group worked to increase its liquidity so as to honour its financial obligations. It continued sales efforts at its property projects and disposed of an investment property and equity stakes in some property projects.

It made progress in property sales at its projects in Yancheng and Suzhou in Jiangsu province, People's Republic of China (the "PRC") and in Jakarta, Republic of Indonesia ("Indonesia").

The Group also disposed of an investment property in Guangzhou and certain equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan provinces, the PRC during the Year.

Such moves not only can help increase the Group's liquidity but also can diversify the risk associated with the property projects.

Iron Ore Mining, Processing and Trading Operations

The Group continued to suspend its iron ore mining and processing operations in Malaysia because iron ore price had not yet stabilised at a high enough level for them to be profitable. In April 2019, the Group disposed of its entire equity stake in an iron ore mining and processing business in the Federative Republic of Brazil (the "Brazil") for US$4.5 million (equivalent to approximately HK$35.1 million) because of the persistently low and unstable price of iron ore, the increasingly challenging business environment and the uncertainties of the prospect of the mining business in the country. Meanwhile, the Group only maintained its iron ore trading operations on a small scale.

Prospect

The ongoing Sino-United States trade war and China's decelerating economic growth have cast uncertainty over the prospect of business. This has affected the sentiments of both the capital market and businesses. As a result, it has become more difficult to raise funds, not to say to do so on favourable terms. In fact, financing costs have increased considerably.

Although the Group has already shifted the focus of its business to property investment and development, it takes time for the move to yield significant enough results to offset the impact of the adverse conditions of the iron ore market on the Group's overall business performance. Furthermore, the unfavourable external environment has posed challenges to the property business.

It is against this backdrop that the Group has set itself the task of restoring its financial health. To honour its short-term financial obligations, it will seek to raise capital by continuing its sales efforts at its property projects and by disposing of some assets such as equity interests in some of such projects or its other businesses. It will also try to recover prepayments made and loans granted to other companies. Meanwhile, it will also step up the effort to decrease the operating costs.

The Group will explore more other means of increasing liquidity to meet its financial obligations while improving the operations of its existing businesses. For instance, we are now negotiating with a prospective investor about the latter's possible investment in the Group. We have signed a non-legally binding letter of intent with that prospective investor over a plan for the shareholding restructuring and recapitalisation of the Group. Meanwhile, changes have also been made to the Board with the appointment and replacement of some people as Directors. These are preparatory moves to reinvigorate the Group.

Words of Thanks

On behalf of the Company, I would like to express my gratitude to our shareholders and business partners for their support and to the management and staff for their hard work during the Year.

WONG Ben Koon
Chairman

Hong Kong, 18 July 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Financial Overview

For the Year, the Group recorded a net loss of approximately HK$1,935 million, compared with the net loss of approximately HK$989 million for the Previous Financial Year.

The loss for the Year was mainly attributable to impairment losses of approximately HK$456 million, in aggregate, on prepayments and loan and other receivables. Other factors that also contributed to the loss for the Year are the further impairment losses of approximately HK$671 million, in aggregate, on property, plant and equipment and other intangible assets, compared with that of HK$632 million for the Previous Financial Year, the fair value loss of approximately HK$216 million on the financial assets at fair value through profit or loss ("FVTPL"), compared with the fair value loss of approximately HK$9 million for the Previous Financial Year, and the fair value losses on investment properties of approximately HK$147 million, against the fair value gain of approximately HK$3 million for the Previous Financial Year.

During the Year, the Group continued to suspend its business of iron ore mining and processing to minimise operating loss and only maintained its iron ore trading operations on a small scale as it was shifting the focus of its business to property investment and development. In the Previous Financial Year, the Group's iron ore trading business had already diversified into the trade in other raw materials such as manganese in order to mitigate the impact of temporary reduction in the Group's iron ore trading activities and to diversify the business risk associated with the Group's operating environment. Such business performed well and contributed approximately HK$510 million to the Group's revenue. Revenue of the Group decreased by 48% to approximately HK$2,331 million, mainly from the decrease in revenue of approximately HK$1,338 million from the business of mining and trading of iron ore and other raw materials due to the above-mentioned strategic changes.

As for the Group's property business, the revenue this Year was mainly from the delivery of the remaining residential units and shopping units in the first phase of the Group's 昌興壹城 ("One City") in Binhai county, Yancheng city, Jiangsu province, the PRC to the buyers. The revenue had decreased by HK$833 million or 90% to HK$89 million for the Year since majority of the residential units in the first phase of the property project had already been delivered to the buyers in the Previous Financial Year. Revenue and profit from sales at some of the Group's property projects are expected to be recognised in the second half of 2019 when they are completed for delivery to the buyers. Meanwhile, the Group continued to record steady rental income from an investment property in Guangzhou city, Guangdong province, the PRC.

To honour large amount of short-term financial obligations, the Group continued its effort to raise fund through disposal of certain assets, such as 銀海大廈 ("Silver Bay Plaza") in Guangzhou and equity stakes in some property projects in Suqian city and Xuyi county of Huaian city, Jiangsu province the PRC.

As at 31 March 2019, the Group's total borrowings amounted to approximately HK$2,234 million and the Group's current liabilities exceeded its current assets by approximately HK$1,391 million.

During the Year, the Group did not make bond principal repayments of approximately HK$16 million according to the scheduled repayment dates. As a result of these non-repayments, certain bonds with a carrying amount of approximately HK$142 million as at 31 March 2019 became immediately repayable. The non-repayment of the said bonds had become events of defaults under the borrowing agreements about certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,134 million as at 31 March 2019 (the "Cross-default Borrowings").

In addition, included in the Cross-Default Borrowings are certain borrowings with carrying amount of approximately HK$1,029 million where the Group did not meet certain financial covenants as set out in the concerned borrowing agreements. Waivers of the breach of the financial covenants have yet to be obtained from the lenders up to the date of this report.

Although no remedies have been agreed on with the above bondholders and lenders up to the date of this report, the Group actively negotiations with them for renewal and extension of the principals and interest that remain overdue as at the date of this report and also for waiver of the breach of the financial covenants. The Directors are confident that the bondholders and the lenders will not enforce their rights of requesting immediate repayment and the settlement agreements will be reached in due course. Up to the date of this report, no lender has taken further legal actions to recover its loan. In addition, the Directors wish to point out that as at the date of this report, the Group is carrying on its businesses as usual and that the Directors consider that, unless the lenders take action to have the Company wound up, the current financial position of the Group does not prevent the Group from operating its normal and usual course of business.

Basic loss per share was 139.57 HK cents for the Year, compared with the basic loss of 77.72 HK cents (Restated) per share for the Previous Financial Year.

The Board does not recommend payment of a final dividend for the Year (the Previous Financial Year: Nil).

Business Review

China's Property Market

The Chinese government was aiming to ensure sufficient housing supply and to curb speculative investment. Its stringent regulation of the property market that started in 2017 continued well into 2018. Under the principle that "housing is for living in, not for speculation", numerous policies and rules for regulating the real estate market had been introduced nationwide. Moreover, the outbreak of China's trade disputes with the USA and the former's resultant economic slowdown also probably dampened home buyers' sentiment in the second half of 2018.

According to the National Bureau of Statistics of China, growth in sales of commodity properties in terms of GFA decelerated drastically to 1.3% in 2018 from 7.7% in 2017. The value of commodity property transactions in the country grew by 12.2% to approximately RMB14.9973 trillion in 2018. The growth rate was 1.5 percentage points lower than that in 2017.

Real Estate Investment and Development

In view of the need to increase its liquidity so as to honour its financial obligations, the Group continued sales efforts at its property projects and disposed of an investment property and equity stakes in some property projects.

Sales of residential units at property projects in Yancheng and Suzhou, Jiangsu province, the PRC and in Jakarta, Indonesia

1. **Binhai County of Yancheng City, Jiangsu Province**

   In Binhai county of Yancheng city, Jiangsu province of the PRC, the Group is now developing residential and commercial properties in a project called One City which is positioned as an urban complex in Binhai county's central business district ("CBD").

   One City is developed in two phases. As of 31 March 2019, all of the 11 blocks of apartment buildings, 93% of the 40 townhouses and over 80% of the shopping spaces in the first phase of the project had been sold. All presold units of apartment buildings, townhouses and shopping spaces in phase one were delivered to the home buyers. During the Year, revenue of approximately RMB40 million (equivalent to approximately HK$46 million) was recognised.

   The second phase of One City will comprise residential properties of 11 blocks of apartment buildings and 32 townhouses as well as a shopping street. Residential units in the first 8 blocks of apartment buildings in the second phase were presold and will be delivered to buyers by the end of 2019.

2. **Suzhou City, Jiangsu Province**

   In Xishan Island, Wuzhong District, Suzhou city, Jiangsu province of the PRC, the Group, through a 55%-owned company called 蘇州市嘉欣房地產開發有限公司 (Suzhou Jiaxin Real Estate Development Company Limited*), is developing a deluxe property project called 復園 ("Fu Yuan") in two phases, which comprises 51 villas and a deluxe hotel.

   As of 31 March 2019, several villas in the first phase of the project had been sold and delivered to the buyers. The second phase of the project and the deluxe hotel are currently under construction.

3. **West Jakarta, Indonesia**

   The Company, through an indirect wholly-owned subsidiary, holds an effective equity stake of 75% in an Indonesian incorporated company called PT. Tritama Barata Makmur, which owned a piece of land in the heart of the CBD of West Jakarta, Indonesia. The Group is building a condominium for residential and commercial uses on the site. Approximately 20% of the 208 residential units at the project were presold as at 31 March 2019.

* *For identification purposes only*

Disposal of an investment property and operation of another investment property in Guangzhou

4. Guangzhou City, Guangdong Province, the PRC

In November 2018, the Group disposed of certain units in an investment property, Silver Bay Plaza in Guangzhou, Guangdong province for a consideration of approximately RMB92.7 million (equivalent to approximately HK$108 million). The transaction allowed the Group to reduce its gearing and strengthen its financial position. The disposal was completed in April 2019. For details, please refer to the announcement of the Company dated 12 November 2018.

Meanwhile, the Group continues to hold 55% equity interest in a commercial and residential property called 東方文德廣場 ("Oriental Landmark") through its indirect wholly-owned subsidiary, Bliss Hero Investment Limited. The shopping mall continued to generate stable rental income for the Group and had an occupancy rate of 90% during the Year.

Disposal of equity stakes in some property projects in Jiangsu, Guangdong, Henan and Yunnan provinces, the PRC

5. Suqian City, Jiangsu Province

On 10 May 2019, the Group through its indirect wholly-owned subsidiary 浙江昌興投資有限公司 (Zhejiang Changxing Investment Co., Ltd.*, "Zhejiang Changxing") sold 21.72% equity stake in 宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*, "Suqian Shengda") to a creditor 浙江坤元經貿有限公司 (Zhejiang Kunyuan Economics Trading Co., Ltd.*, "Zhejiang Kunyuan"), thus decreasing its own equity stake in Suqian Shengda to 48.28%.

Suqian Shengda owns a residential project called 江山一品 ("Imperial Land"), in which it has a land of an aggregate site area of approximately 45,214 square metres ("sq.m.") in Suqian City, Jiangsu Province, the PRC, certain residential units, shopping spaces and car parking spaces within the land.

The land has a site area of approximately 26,653 sq.m. for the development of second phase of Imperial Land. The second phase of the project has a planned GFA of approximately 140,000 sq.m., and will include 4 blocks of residential buildings, an apartment building, a commercial building and car parking spaces.

During the Year, the Group commenced the development of the second phase of the project. Two blocks of residential buildings were put up for presale in the fourth quarter of 2018 and over 60% of the units were presold.

6. Xuyi County of Huaian City, Jiangsu Province

In August 2018, the Group sold 20% equity stake in 盱眙昌興置業有限公司 (Xuyi Changxing Property Co., Ltd.*, "Xuyi Changxing Property") (formerly known as 盱眙昌盛置業有限公司 (Xuyi Changsheng Property Co., Ltd.*) to a strategic investor, thus decreasing its own equity stake in the company to 50% from 70%.

Xuyi Changxing Property owns two land lots in Xuyi County, Huaian City, Jiangsu Province, and plans to develop residential and commercial properties on them with a plot ratio of up to 2.5 and planned GFA of up to 237,742 sq.m.

7. Runan County of Zhumadian City, Henan Province

In August 2018, the Group introduced two strategic investors into 汝南中得置業有限公司 (Runan Zhongde Properties Co., Ltd*, "Runan Zhongde"), thus decreasing its equity stake in Runan Zhongde to 13% from 26%. Runan Zhongde plans to develop residential and commercial properties on two parcels of land of an aggregate site area of approximately 140 mu (equivalent to approximately 93,333 sq.m.) in Runan County, Zhumadian City, Henan Province of the PRC.

8. Dali City, Yunnan Province

On 17 May 2019, the Group sold 20% equity stake in 大理港興置業有限公司 (Dali Gangxing Property Company Limited*, "Dali Gangxing"), a company that engages in property development and owns a residential site of 31,208.34 sq.m. in Heqing County, Dali City, Yunnan Province, the PRC to 長興天悅企業管理有限公司 (Changxing Tianyue Corporate Management Co., Ltd.*, "Changxing Tianyue"). Upon the completion of the deal, the Group's equity interest in Dali Gangxing will decrease to 30% from 50% while Changxing Tianyue's equity stake in that company will increase to 70% from 50%.

* *For identification purposes only*

9. Dongguan City, Guangdong Province

On 13 March 2018, the Company sold its equity interests in a redevelopment project in Dongguan City, Guangdong Province to 東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*, "Dongguan Vanke") and Hybest (BVI) Company Limited for a consideration of approximately RMB830 million (equivalent to approximately HK$946 million). Up to the date of this report, the transaction has not been completed but the Group has already received the installments of approximately RMB415 million (equivalent to approximately HK$497 million). Out of the consideration of RMB830 million (equivalent to approximately HK$946 million), RMB581 million (equivalent to approximately HK$662 million) is attributable to the Group in proportion to its equity stake upon the completion of the transaction.

Mining and Trading of Iron Ore and Raw Materials

The Group sources iron ore mainly from third parties, and also used to produce the commodity at its wholly-owned mine in Sri Jaya, State of Pahang, Malaysia (the "Malaysia Mine"), which has a total mining area of approximately 420 acres and total probable reserve of 94.5 megatonnes ("Mt") and mainly at an ore processing plant (the "Sri Jaya Plant"), which is adjacent to the Malaysia Mine. In view of the recent financial distress of the Group, the large operating cash requirements and the unstable price of iron ore, the planned resumption of the Group's iron ore mining operations in Malaysia was further deferred until 2020. Meanwhile, the operational mining scheme of an ore mine expired during the Year without being renewed as the Directors considered the ore mine in concern was no longer feasible due to unresolved disputes with a mine owner, and the operating costs in Malaysia continued to increase due to local inflation and continuous depreciation of local currency. The Group reassessed the recoverable amounts of the iron ore mining operations in Malaysia in accordance with the applicable accounting standard, and impairment losses on the said operation was resulted. Further details of the impairment are disclosed in note 21 to the consolidated financial statements.

In April 2019, the Group disposed of its entire equity stake in its 85%-held mine in Ceará, Brazil ("Brazil Mine") for approximately US$4.5 million (equivalent to approximately HK$35.1 million) because of the persistently low and unstable price of iron ore, the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil. As the result of the disposal, impairment losses are recognised according to the applicable accounting standard. Further details of the impairment are disclosed in note 21 to the consolidated financial statements.

The revenue of the Group's iron ore trading business decreased by 47% to HK$1,538 million during the Year.

Clinker and Cement Trading Business and Operation

The Group is a leading trading organisation in Asia specialising in clinker, cement, granulated blast furnace slag. The Group sourced its materials predominantly from the Far East and South East Asia and supplied such materials to its customers in North America and Asia Pacific region during the Year.

The Group is well positioned to match its customers' requirement for reliable supply of high quality materials and at the same time to fulfil the suppliers' need to reach out to strategic market for their products. The Group strive to bring together a wide network of its customers and established relationships with suppliers to create the best outcome or solution for both our customers and suppliers. The Group's customer base covers cement plants, cement grinding mill operators, cement terminal operators and construction material trading agents.

In 2017, the Group acquired 25% equity stake in PT Conch Cement Indonesia ("Indonesia Conch"), and its subsidiaries (which are collectively referred to as "Indonesia Conch Group") to tap the potential of the market of Indonesia, which is one of the countries covered by China's Belt and Road Initiative, a policy expected to help foster Indonesia's economic development in the long term.

Indonesia Conch is a company incorporated in Indonesia and Indonesia Conch Group operates a cement plant in South Kalimantan, Indonesia. The cement plant is equipped with a grinding mill station, coal-fired power plant and two clinker cement production lines. Each clinker cement production line has a capacity to produce 3,200 tonnes of clinker per day. Indonesia Conch Group also owns two sets of cement grinding mills and a private jetty near Port of Merak and Jakarta-Banten Highway. The jetty consists of five berths, of which two each has a total capacity of 50,000 tonnes in deadweight tonnage.

* *For identification purpose only*

During the Year, in view of consistently increasing operating costs as a result of the local inflation, the depreciation of the local currency and the decrease in expected growth of the operation, which reflected the latest market expectations, the Group reassessed the value of the Group's investment in Indonesia Conch. As a result, unrealised fair value loss on the said investment was recognised according to the applicable accounting standard. Further details of the remeasurement of the Indonesia Conch, which is classified as financial assets at FVTPL, are discussed under the section headed "Financial Review" below.

Issue of CCB Convertible Bonds and Guaranteed Notes

On 16 March 2016, the Company announced that it had entered into a subscription agreement (the "Subscription Agreement") with Cheer Hope Holdings Limited ("Cheer Hope") which was a subscriber, and Mr. Wong Ben Koon ("Mr. Wong") who was the guarantor, pursuant to which the Company conditionally agreed to issue the US$20 million (equivalent to approximately HK$156 million), 5% per annum convertible bonds (the "CCB Convertible Bonds") and US$20 million (equivalent to approximately HK$156 million), 5% per annum guaranteed notes (the "Guaranteed Notes" or "CCB Notes"). Both the CCB Convertible Bonds and the Guaranteed Notes would be due in 2018. Thereafter, on 29 June 2016, the Company, Cheer Hope and Mr. Wong entered into the deed of amendment (the "First Amendment Deed"), to amend certain terms and conditions of the Subscription Agreement, the CCB Convertible Bonds and the Guaranteed Notes (the "First Amendment"), and the First Amendment was completed on 19 July 2016. The conversion price of the CCB Convertible Bonds (the "CCB Conversion Price") has then been adjusted to HK$0.16 per share of the Company (the "CCB Conversion Share") on 31 December 2016 in accordance to the terms of the First Amendment Deed.

On 19 September 2018, the Company, Cheer Hope and Mr. Wong entered into an amendment deed (the "Second Amendment Deed"), whereby the parties agreed, among others, to extend the term of the CCB Convertible Bonds and the Guaranteed Notes for one anniversary from 15 April 2018 and amend certain terms and conditions of the Subscription Agreement, the CCB Convertible Bonds and the Guaranteed Notes (the "Second Amendment"). As at the date of entering into the Second Amendment Deed, the outstanding principal amounts of the CCB Convertible Bonds and the Guaranteed Notes were US$18 million (equivalent to approximately HK$140 million) and US$18 million (equivalent to approximately HK$140 million) respectively.

Taking into account the Second Amendment and assuming the full conversion of the CCB Convertible Bonds at the CCB Conversion Price of HK$0.16 per CCB Conversion Share, a total of approximately 877,500,000 CCB Conversion Shares would be allotted and issued, representing (1) approximately 6.88% of the existing issued share capital of the Company of 12,746,160,027 shares as at the date of entered into the Second Amendment Deed, and (ii) approximately 6.44% of the issued share capital of the Company of 13,623,660,027 shares as enlarged by 877,500,000 shares to be issued upon full conversion the CCB Convertible Bonds, assuming no further change in the share capital of the Company from the date of entered into the Second Amendment Deed and up to the date of the allotment and issue of CCB Conversion Shares.

As a result of the Share Consolidation (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) became effective on 25 February 2019, the CCB Conversion Price of the outstanding CCB Convertible Bonds, being initially at HK$0.16 per Pre-consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) (subject to adjustment), was adjusted in accordance with the terms and conditions of the CCB Convertible Bonds to HK$1.6 per Consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below). Accordingly, the number of Consolidated Shares which may fall to be issued upon full conversion at the adjusted conversion price of HK$1.6 per Consolidated Share of the CCB Convertible Bonds immediately after the Share Consolidation became effective was 87,750,000 Consolidated Shares. The conversion rights of CCB Convertible Bonds owned by Cheer Hope lapsed on 15 April 2019.

For further details, please refer to the Company's announcements dated 16 March 2016, 18 March 2016, 15 April 2016, 26 April 2016, 28 April 2016, 3 May 2016, 9 May 2016, 29 June 2016, 19 September 2018, 22 February 2019 and 29 May 2019.

Issue of Convertible Bonds

On 24 October 2018, the Company entered into a placing agreement (the "Placing Agreement") pursuant to which a placing agent agreed to place convertible bonds (the "Convertible Bonds") with an aggregate principal amount of HK$30 million at the conversion price of HK$0.06 (the "Conversion Price") per share of the Company (the "Conversion Share") on a best effort basis from 24 October 2018 to 8 November 2018. The Convertible Bonds were successfully placed to not less than six independent third parties on 8 November 2018.

Based on the initial Conversion Price of HK$0.06 per Conversion Share and assuming conversion of the Convertible Bonds in full, the Convertible Bonds will be convertible into 500,000,000 new Conversion Share, representing (i) approximately 3.92% of the existing issued share capital of the Company of 12,746,160,027 shares as at the date of entering into the Placing Agreement, and (ii) approximately 3.77% of the issued share capital of the Company of 13,246,160,027 shares as enlarged by the allotment and issue of the Conversion Shares, assuming no further change in the share capital of the Company from the date of entering into the Placing Agreement and up to date of the allotment and issue of the Conversion Shares.

As a result of the Share Consolidation (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) becoming effective on 25 February 2019, the Conversion Price of the outstanding Convertible Bonds, being initially at HK$0.06 per Pre-consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below) (subject to adjustment), was adjusted in accordance with the terms and conditions of the Convertible Bonds to HK$0.6 per Consolidated Share (defined in the section headed "Share Consolidation and Change of Board Lot Size" below). Accordingly, the number of Consolidated Shares upon full conversion at the adjusted conversion price of HK$0.6 per Consolidated Share of the Convertible Bonds immediately after the Share Consolidation becoming effective was 50,000,000 Consolidated Shares.

As a result of the completion of the Rights Issue (defined in the section headed "Rights Issue" below), the conversion price of the outstanding Convertible Bonds was further adjusted in accordance with the terms and conditions of the Convertible Bonds from HK$0.6 per Share to HK$0.58 per Share (defined in the section headed "Share Consolidation and Change of Board Lot Size"). Accordingly, the number of Shares which may fall to be issued upon full conversion at the adjusted conversion price of HK$0.58 per Share of the Convertible Bonds immediately after the completion of the Rights Issue was 51,724,137 Shares.

Net proceeds of approximately HK$28.8 million were raised and the proceeds were used for (i) partial repayment of the Group's existing loans; and (ii) the remaining balance was used as general working capital of the Group.

For further details, please refer to the announcements of the Company dated 24 October 2018, 8 November 2018, 22 February 2019 and 29 May 2019.

Statement on Portfolio of Mineral Resources and Ore Reserves

In April 2019, due to the increasing challenging business and the uncertainties of the mining business in Brazil, the Group disposed of the Brazil Mine. The Group also terminated the renewal of the mining permit of its granite mining operations in Guilin, the PRC (the "Guilin Granite Mine") after considering the financial resources of the Group and the feasibility of successful renewal during the Year. As at the date of this report, the Group owns Malaysia Mine and Sri Jaya Plant in Malaysia with the aim to weather the changes in the market better with a more stable supply of quality iron ore. Details about the operation of Malaysia Mine can be found in the section of "Mining and Trading of Iron Ore and Raw Materials" above under "Business Review" section of this report.

For the purpose of this section, mineral resources are concentration or occurrence of materials of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Exploration that consists of drilling, trenching, pitting and other methods is the methodology to obtain these specific geological evidences. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured resources, as defined in the Joint Ore Reserves Committee (the "JORC") Code (elaborated below). In common practice, geological confidence is predominantly determined by the level of detail of exploration work done.

Ore reserves are defined as the economically mineable part of a measured, and/or indicated resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Ore reserves are sub-divided in order of increasing confidence into probable reserves and proved reserves. Factors such as product price, exchange rate, mining pit design, processing cost, transportation cost and other factors are thoroughly justified during the estimation of ore reserves by independent technical adviser.

Iron Ore

Although no material exploration activity was carried out during the Year, changes to resources and reserves were made due to ongoing production and revision of mining plans. The tables below reflect those changes and detail the mineral resources and ore reserves with a cut-off grade of 30% as at 31 March 2019.

The report on mineral resources and ore reserves of the Malaysia Mine are prepared based on the technical report of Blackstone Mining Associates Limited, an independent mining and geological consulting company, as stated in the circular of the Company dated 30 August 2014 (the "Sri Jaya Report") in accordance with the "Australasian Code for Reporting Mineral Resources and Ore Reserves" (2012 edition published by the JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia; for determining mineral resources and ore reserves. The presentation of the data in round figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant whenever this occurs.

Malaysia Mine	**Classification**	**Quantity (Mt)**	**Fe Grade (%)**
Mineral Resources	Indicated	107.4	43.8
	Inferred	70.7	42.0
	Total	178.1	43.1
Ore Reserves	Proved	–	–
	Probable	94.5	41.7
	Total	94.5	41.7

* *Assumed average cut-off grades for both Malaysia Mine are 30%.*

All assumptions and technical parameters for the preparation of the above figures have not been materially changed from those in the Sri Jaya Report and continued to apply to the data disclosed above.

Since the Group has disposed of the Brazil Mine in April 2019, no minerals resources statement in relation to Brazil Mine are prepared in this regard.

During both the Year and the Previous Financial Year, no material exploration activity was carried out at Malaysia Mine and Brazil Mine.

Except the Malaysia Mine produced 6,050 tonnes of iron ore in the Previous Financial Year, both Malaysia Mine and Brazil Mine neither mined nor produced any iron ore during both the Year and the Previous Financial Year. Both mines also did not incur any material expenditure in respect of mining activities and any capital expenditure in respect of development activities during both the Year and the Previous Financial Year.

Granite

Since the Group decided not to renew the mining permit of the Guilin Granite Mine during the Year, no minerals resources statement have been prepared in this regard.

During the Year, no dimension stone production activity was carried out; no granite feldspar powder were mined and 7,093 tonnes of granite feldspar powder were produced. The Group incurred approximately HK$1.7 million of expenditure for its mining activities and did not incur any of capital expenditure in respect of its development activities.

Financial Review

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes in this report.

Results of Operations

For the Year, revenue decreased to approximately HK$2,331 million from approximately HK$4,480 million for the Previous Financial Year. The Group's gross profit decreased by 84% to approximately HK$45 million for the Year from approximately HK$280 million for the Previous Financial Year. The decrease in both revenue and the gross profit was mainly due to the combined effects of deceased revenue from iron ore trading segment and less property units being handed over to buyers during the Year, while offset by the increase in the revenue from the trading of other materials such as manganese, which was a new business that started in the first quarter of 2018.

The Group's selling and distribution costs (excluding depreciation) were approximately HK$74 million for the Year as compared to approximately HK$97 million for the Previous Financial Year. It represented approximately 3.2% of the revenue for the Year, compared to 2.2% for the Previous Financial Year. The decrease in the amount was in line with the change in the business scale of the Group during the Year.

The administrative expenses (excluding depreciation), which mainly represented staff costs, including Directors' emoluments, legal and professional fees and other administrative expenses, were approximately HK$244 million which slightly increased from that of the Previous Financial Year of HK$222 million.

The Group recorded an impairment loss of approximately HK$671 million (the Previous Financial Year: HK$632 million) on other intangible assets and property, plant and equipment for its iron ore and granite mining operations after the review of the recoverable amounts of the cash-generating units ("CGUs") of the respective operations during the Year.

Further details of the methodology, key assumptions and parameters adopted in the valuation of the CGUs of the respective mining operations for the Year and the Previous Financial Year have been disclosed in note 21 to the consolidated financial statements in this report.

The Group also recorded impairments of approximately HK$350 million (the Previous Financial Year: Nil) and HK$106 million (the Previous Financial Year: HK$25 million), respectively, on its prepayments and loan and other receivables. Details of the above impairments were also disclosed in note 27 and note 6(c) to the consolidated financial statements in this report.

The finance costs were approximately HK$336 million (of which approximately HK$94 million were capitalised) for the Year, which increased from approximately HK$219 million (of which approximately HK$3 million were capitalised) for the Previous Financial Year.

The fair value loss on the financial assets at FVTPL was mainly attributable to the reclassification of the Group's investment in 25% equity stake in Indonesia Conch as financial assets at FVTPL from available-for-sale financial assets upon the initial application of the Hong Kong Financial Reporting Standard ("HKFRS") 9. The fair value loss of approximately HK$214 million was recorded after the remeasurement of Indonesia Conch according to the applicable accounting standards with reference to the valuation conducted by an independent professional valuer. The fair value loss mainly reflected recent changes in market and economic conditions of Indonesia.

Loss attributable to the owners of the Company for the Year was approximately HK$1,829 million, compared with a net loss of approximately HK$961 million for the Previous Financial Year. The increase in loss was mainly due to the following reasons:

1. Decrease in revenue of HK$833 million generated from the sale of properties;

2. Impairment loss of approximately HK$671 million (the Previous Financial Year: HK$632 million) on other intangible assets and property, plant and equipment for its iron ore and granite mining operations during the Year;

3. Impairments of approximately HK$350 million (the Previous Financial Year: Nil) and HK$106 million (the Previous Financial Year: HK$25 million), respectively, on its prepayments and loan and other receivables; and

4. Unrealised fair value loss on financial assets at FVTPL of approximately HK$216 million (the Previous Financial Year: HK$9 million).

The basic loss per share for the Year was 139.57 HK cents, compared with the basic loss per share of 77.72 HK cents (restated) for the Previous Financial Year.

Material Acquisition, Disposal and Other Transactions

(a) Disposal of equity interests in Honwill Limited and its subsidiaries

On 13 March 2018, Greater Sino Investments Limited, Honwill Limited ("Honwill"), both subsidiaries of the Company, and 東莞市丹新置業有限公司 (Dongguan City Danxin Property Company Limited*), the joint venture partner of the Company, entered into the co-operation agreement as sellers ("Project Sellers") with Dongguan Vanke and Hybest (BVI) Company Limited, both subsidiaries of China Vanke Co., Ltd. as purchasers ("Project Purchasers") pursuant to which the Project Sellers agreed to sell to the Project Purchasers their interests of the property development project in Dongguan City, Guangdong Province, the PRC (the "Redevelopment Project") at a consideration of RMB830 million (equivalent to approximately HK$946 million) (subject to adjustments). The completion of the disposal of the Redevelopment Project will be subject to the transfer of 52.7% of the effective equity interests in 東莞市敬培實業有限公司 (Dongguan Honwill Limited*) and its subsidiary, 東莞市丹興實業有限公司 (Dongguan City Danxing Industrial Company Limited*) by Greater Sino Investments Limited through disposal of its certain equity interests in Honwill. For detail, please refer to the announcement of the Company dated 13 March 2018 and the circular of the Company dated 24 May 2018.

Up to the date of this report, the disposal of the interests in the Redevelopment Project has not been completed.

* *For identification purposes only*

(b) Exercise of HT Put Option

On 9 April 2015, Rui Sheng Global Holdings Limited ("Rui Sheng"), a wholly-owned subsidiary of the Company, entered into a subscription agreement ("HT Subscription Agreement"), pursuant to which Rui Sheng agreed to subscribe for 100,000,000 new shares of Hao Tian Finance Company Limited ("Hao Tian"), representing 10% of the total issued share capital of Hao Tian (the "HT Subscription Shares") for an aggregate consideration of HK$100 million. Hao Tian is an indirect wholly-owned subsidiary of Han Tian Development Group Limited ("Hao Tian Development") and Hao Tian Development is a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to the HT Subscription Agreement, Hao Tian Development has granted an option to Rui Sheng to require Hao Tian Development to purchase all or part of the HT Subscription Shares at HK$1.15 per HT Subscription Share (i.e. at HK$115 million in total) from Rui Sheng (the "HT Put Option") if the Hao Tian does not list on the Main Board or the GEM of the Stock Exchange within three years.

On 9 April 2018, Rui Sheng exercised the HT Put Option and the total repurchase price of the HT Subscription Shares of HK$115 million was payable by Hao Tian Development partly by way of deduction of the indebtedness owed by the Group to Hao Tian and partly by way of cash. For further detail, please refer to the announcements of the Company dated 5 April 2015 and 9 April 2018.

(c) Acquisition of 26% equity interests in Runan Zhondge Properties Co., Ltd.

On 7 August 2018, Zhejiang Changxing, an indirect wholly-owned subsidiary of the Company, entered into a co-operation agreement with 長興民發投資有限公司 (Zhangxing Min Fa Investment Co., Ltd*, "Zhangxing Min Fa Investment"), pursuant to which Zhejiang Changxing agreed to ultimately acquire and Zhangxing Min Fa Investment agreed to dispose of 26% equity interests in Runan Zhongde, at a consideration up to approximately RMB2.6 million (equivalent to approximately HK$3.0 million) and Zhejiang Changxing agreed to provide the shareholder's loan in the sum of approximately RMB49.4 million (equivalent to approximately HK$56.3 million). Runan Zhongde has signed land transfer agreements with the Runan Municipal Bureau of Land and Resources in respect of two parcels of land (the "Runan Lands") of an aggregate site area of approximately 140 mu (equivalent to approximately 93,333 sq.m.) located at (i) Ru Ning Da Jie and Qing Yuan Road; and (ii) Qing Yuan Road and Pei Gong Road, Runan County, Zhumadian City, Henan Province of the PRC. Runan Zhongde has obtained construction land use planning permit in respect of the Runan Lands and intends to develop the Runan Lands into residential and commercial properties.

In August 2018, the Group introduced two strategic investors into Runan Zhongde, thus Zhejiang Changxing decreased its equity stake in Runan Zhongde from 26% to 13%.

For further detail, please refer to the announcements of the Company dated 7 August 2018 and 13 August 2018.

(d) Provision of financial assistance to a non-controlling shareholder of a subsidiary and its subsidiary

On 30 August 2018 and 8 March 2019, 廣州富春東方地產投資有限公司 (Guangzhou Fuchun Dongfang Real Estate Investment Company Limited*, "Fuchun Dongfang"), a 55%-owned subsidiary of the Company, pledged certain units of Oriental Landmark, for the benefit of a non-controlling shareholder of Fuchun Dongfang, as security for the loans taken by the non-controlling shareholder of Fuchun Dongfang and its subsidiary. For details about the arrangement, please refer to the announcements of the Company dated 30 August 2018 and 29 March 2019 and the circular of the Company dated 24 May 2019.

* *For identification purposes only*

(e) Disposal of certain units in Silver Bay Plaza

On 12 November 2018, the Company, through an indirect wholly-owned subsidiary, entered into a sale and purchase agreement with a purchaser, pursuant to which the Company agreed to sell certain units in the Silver Bay Plaza at a consideration of approximately RMB92.7 million (equivalent to approximately HK$108 million). The disposal of certain units in the Silver Bay Plaza allowed the Group to reduce its gearing and strengthen its financial position. The disposal was completed in April 2019. For details, please refer to the announcement of the Company dated 12 November 2018.

(f) Disposal of equity interests in Globest Participacoes Ltda

On 3 April 2019, United Goalink Limited ("UGL") and Globest Resources Limited ("GRL") (each an indirect non-wholly owned subsidiary of the Company) and Goldcoltan Minerais Ltda ("GML") and Light Engenharia E Comercio Eireli ("LEECE") (both companies incorporated in Brazil) entered into an equity transfer agreement (the "GPL Equity Transfer Agreement") pursuant to which UGL and GRL agreed to dispose of and GML and LEECE agreed to purchase 75.56% and 24.44% equity interests in Globest Participações Ltda, a company incorporated in Brazil with limited liability, respectively for the consideration in the aggregate sum of approximately US$4.5 million (equivalent to approximately HK$35.1 million), subject to and upon the terms of the GPL Equity Transfer Agreement. For more information about this transaction, please refer to the announcement of the Company dated 3 April 2019.

(g) Disposal of equity interests in Dali Gangxing

On 25 April 2019, Zhejiang Changxing entered into a sale and purchase agreement with Changxing Tianyue, pursuant to which Zhejiang Changxing agreed to dispose of and Changxing Tianyue agreed to purchase 20% equity interests of a joint venture company, Dali Gangxing, at a consideration of approximately RMB24 million (equivalent to approximately HK$27.36 million). The disposal of the 20% equity interests was completed on 15 May 2019. For more information of this transaction, please refer to the announcement of the Company dated 24 June 2019.

(h) Disposal of equity interests in Suqian Shengda

On 10 May 2019, Zhejiang Changxing entered into a sale and purchase agreement with Zhejiang Kunyuan, pursuant to which Zhejiang Changxing agreed to dispose of and Zhejiang Kunyun agreed to purchase 21.72% equity interests of a subsidiary, Suqian Shengda, at a consideration of approximately RMB25 million (equivalent to approximately HK$28.5 million). The disposal of the 21.72% equity interests was completed on 17 May 2019. For more information of this transaction, please refer to the announcement of the Company dated 24 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group recorded a shareholders' deficit of approximately HK$113 million as at 31 March 2019, against a positive equity attributable to owners of the Company of approximately HK$1,964 million as at 31 March 2018. As at 31 March 2019, the Group had current assets of approximately HK$4,382 million (2018: HK$4,537 million) and current liabilities of approximately HK$5,773 million (2018: HK$4,426 million). The current ratio was 0.76 as at 31 March 2019 as compared to 1.03 as at 31 March 2018. The Group generally finances its operations with internally generated cash flows, credit facilities provided by its principal bankers in Hong Kong and the PRC and proceeds from the placing of new shares, as well as the proceeds from the issuance of bonds, convertible bonds and guaranteed notes.

As at 31 March 2019, the Group had outstanding debts (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds) of approximately HK$2,234 million (2018: HK$2,986 million, including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds). As at 31 March 2019, the Group maintained bank and cash balances of approximately HK$220 million (2018: HK$255 million), whilst the pledged deposits amounted to approximately HK$48 million (2018: HK$356 million).

The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the Group's outstanding debts less bank and cash balances, while the total capital is calculated as total equity plus net debt. The gearing ratio of the Group increased from 47% as at 31 March 2018 to 69% as at 31 March 2019.

During the Year, as set out in the section headed "Going Concern Basis" in note 2 to the consolidated financial statements in this report, the Group experienced financial difficulties. In order to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations, the Directors have, during the Year and up to the date of this report, taken the following measures:

(a) negotiating with the institutions and/or persons providing finance to extend the maturity dates of the Group's financial obligations;

(b) raising of additional capital from the public market. Subsequent to the end of the reporting period and up to the date of this report, the Company raised additional capital of approximately HK$6.3 million through Rights Issue (defined in the section headed "Rights Issue" below);

(c) accelerating the pre-sales and sales of properties under development and completed properties;

(d) implementing measures to speed up the collection of outstanding sales proceeds;

(e) disposal of investment properties for a consideration of approximately HK$108 million, of which the whole proceeds would be used for settlement of bank borrowings of approximately HK$104 million;

(f) successful completion of restructuring plan to inject cash and income-generating assets; and

(g) the Directors have been taking various cost control measures to tighten the costs of operations.

Furthermore, to resolve the pressure from the maturing indebtedness, the Company is in the progress of negotiating with the relevant creditors with a view to execute a possible financial restructuring plan, part of which includes seeking potential investors who are interested in investing in the Group. It is currently in discussion with an independent third party (the "Investor") with that regard. A non-legally binding letter of intent ("LOI") has been entered between the Company and the Investor. For details of the LOI, please refer to the announcement of the Company on 15 July 2019.

In addition, subject to (i) the successful extension of the maturing indebtedness; (ii) the successful collection of a consideration receivable of approximately RMB290 million arising from the disposal of the Redevelopment Project; (iii) the cash flows generated from the operating activities of the Group; and (iv) the financial resources presently available to the Group including available facilities, the Directors are of the opinion that the Group will have sufficient working capital to meet its up-coming needs for the next 12 months from the date of this report.

The Directors will continue to make their best endeavors to restore the financial health of the Company by increasing liquidity to meet its financial obligations while improving the operations of its existing businesses.

CAPITAL STRUCTURE

Share Consolidation and Change of Board Lot Size

On 30 October 2018, the Company put forward a proposal to the shareholders of the Company (the "Shareholders") to effect a share consolidation on the basis that every ten issued and unissued shares of the Company of par value of HK$0.01 each (the "Pre-consolidated Shares") be consolidated into one consolidated share of par value of HK$0.1 each (the "Consolidated Share" or the "Share") (the "Share Consolidation").

The Company also proposed to change the board lot size (the "Change in Board Lot Size") for trading on the Stock Exchange from 20,000 Pre-consolidated Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective and the passing of an ordinary resolution by the Shareholders at the special general meeting (the "SGM") of the Company to approve, among other things, the Change in Board Lot Size.

On 22 February 2019, the Company announced that the SGM approved the Share Consolidation and the Change in Board Lot Size, which took effect on 25 February 2019. Upon the Share Consolidation became effective, the Consolidated Shares ranked pari passu in all respects with each other.

For further details, please refer to the announcements of the Company dated 30 October 2018, 20 December 2018, 3 January 2019 and 22 February 2019; and the circular of the Company dated 18 January 2019.

Rights Issue

On 2 April 2019, the Company announced that it proposed to conduct a rights issue ("Rights Issue") to raise up to approximately HK$66.3 million by issuing up to 509,723,000 rights shares ("Rights Shares") at the subscription price of HK$0.13 per Rights Share on the basis of two (2) Rights Shares for every five (5) Shares.

69,341,149 Rights Shares, representing approximately 13.60% of the total number of 509,723,200 Rights Shares offered under the Rights Issue, were accepted, applied for or placed at last. The net proceeds (after deducing professional fees and other expenses in connection with the Rights Issue from the gross proceeds) raised from the Rights Issue amounted to approximately HK$6.3 million, all of which were intended to be used for general working capital.

For further details, please refer to the announcements of the Company dated 2 April 2019, 25 April 2019, 10 May 2019, 17 May 2019 and 29 May 2019 and the prospectus of the Company dated 26 April 2019.

Repurchase of shares

The Company repurchased 3,080,000 Pre-consolidated Shares of HK$0.01 each at prices ranging from HK$0.036 to HK$0.04 per Pre-consolidated Share on the Stock Exchange (the "Repurchases") and subsequently cancelled during the Year. The total consideration (including transaction costs) of the Repurchases was approximately HK$118,000.

FOREIGN EXCHANGE EXPOSURE

The trading in the clinker and cement and trading in iron ore and other raw materials are conducted predominantly in United States dollars. The granite mining and production business and the property development business in the PRC are conducted in Renminbi. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

CHARGE ON GROUP ASSETS

As at 31 March 2019, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment, investment properties, financial assets at fair value through other comprehensive income, inventories and certain bank deposits of the Group;

(b) equity interests in certain subsidiaries of the Group;

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries of the Group;

(e) personal guarantee executed by Mr. Wong and directors of subsidiaries of the Company;

(f) deed of subordination of term loan by a related company;

(g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary of the Company; and

(h) equity interests in certain companies executed by Mr. Wong and a related company.

COMMITMENTS

As at 31 March 2019, the Group had the following commitments:

(a) Operating lease commitments — as lessee

The Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**16,607**	67,366
In the second to fifth years, inclusive	**9,884**	1,441
	26,491	68,807

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$10 million (2018: HK$62 million) and rentals payable by the Group for the office premises and staff quarters of approximately HK$17 million (2018: HK$7 million). Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 10 years (2018: 1 to 10 years), with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**70,263**	83,698
In the second to fifth years, inclusive	**182,033**	240,415
After five years	**151,186**	180,612
	403,482	504,725

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 240 employees. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration packages are normally renewed on an annual basis, based on performance appraisals and other relevant factors. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. Staff benefit plans maintained by the Group include several mandatory provident fund schemes as well as travel, medical and life insurance.

With a view to retaining certain important employees who will continue to make valuable contribution to the Group, share options to subscribe for shares of the Company in accordance with the share option scheme adopted on 25 September 2009 may be granted.

The Group has not experienced any significant problems with its employees or any disruption to its operations due to labor disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relation with its employees.

ADDITIONAL INFORMATION ON AUDITOR'S MODIFIED OPINIONS

The Board wishes to draw the attention of the Shareholders to the section headed "Basis for Disclaimer of Opinion" as contained in the Independent Auditor's Report dated 18 July 2019 issued by the Company's auditor, RSM Hong Kong, now contained in pages 58 to 60 of this report. On the basis set out therein, our auditor does not express an opinion on the consolidated financial statements of the Group for the Year.

As explained in the "Basis for Disclaimer of Opinion", the auditor's disclaimer of opinion was principally caused by the multiple uncertainties relating to going concern. As set out in the subsection headed "Liquidity, Financial Resources and Capital Structure" on pages 18 and 19 of this report, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position.

The Board and audit committee of the Company agreed with the views of the auditor regarding the uncertainty of going concern. There is no disagreement by the Board, the management nor the audit committee with the position taken by the Company's auditor regarding the disclaimer of opinion. The Directors will continue to use their best efforts to protect and uphold the Company's best interest, including ongoing negotiation with various lenders over the debt restructuring arrangements. The Directors will proactively explore more means to improve the Group's financial position and resolve matters relating to the disclaimer of opinion.

OUTLOOK

Sentiments of both the capital market and businesses have been affected by the prospect of a prolonged trade war between China and the USA and the former's decelerating economic growth. As a result, it has become more difficult to raise funds, not to say to do so on favourable terms. In fact, financing costs have increased significantly.

Under these economic conditions, the Group has set itself the task of restoring its financial health. To honour its short-term financial obligations, it will seek to raise capital by continuing its sales efforts at some of its property projects and by disposing of some assets such as equity interests in some of such projects or its other businesses. It will also try to recover prepayments made and loans granted to other companies. Meanwhile, it will also step up the effort to reduce the operating costs.

Looking ahead, the Group will explore more other means of increasing liquidity to meet its financial obligations while improving the operations of its existing businesses.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. WONG Ben Koon, aged 66, is one of the co-founders of the Group and the chairman of the Board. Mr. Wong is responsible for deriving the corporate culture and long term strategic plan of the Group. Mr. Wong has extensive experience in building materials and mineral resources industries in the PRC and global markets.

Ms. Gloria WONG, aged 36, was appointed as an executive Director on 1 June 2010. Ms. Wong has over 10 years' work experience and she is currently responsible for assisting in the implementation of decisions and policies relating to the Group's overall business plan as approved by the Board from time to time. Ms. Wong graduated from Queen Mary College, University of London with a bachelor's degree in Economics and Finance and from King's College London with a master's degree in International Management. Ms. Wong is the daughter of Mr. Wong Ben Koon.

Mr. XIE Qiangming, aged 27, was appointed as an executive Director and chief executive officer of the Company on 4 July 2019. Mr. Xie was also appointed as a member of the remuneration committee and nomination committee of the Company on 8 July 2019. Mr. Xie is a substantial shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) of the Company, holds a master degree of Finance from the PBC School of Finance at Tsinghua University. Mr. Xie has extensive experience in corporate strategy formulation and execution, capital markets and investor relations. He worked for several well-known financial institutions such as ICBC International Holdings Limited and was responsible for providing professional services to its clients such as corporate strategy formulation and execution, merger and acquisition projects management, in charge of private placements and fundraising projects. He is currently working at a famous Hong Kong independent financial services group as a vice president and is responsible for assisting the president in operating the company's capital market business, private equity investment business, developing and expanding the company's investor relations and public relations platform in order to support the company's strategies. Mr. Xie is an independent non-executive director of China Billion Resources Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 274).

Mr. NIE Qiaoming aged 37, was appointed as an executive Director on 5 July 2019. Mr. Nie holds a bachelor degree in financial management and a master degree in accounting from the Southwestern University of Finance and Economics in the PRC. Mr. Nie has over ten years of experience in accounting and finance. He served as a financial director in Tong Chuang Jiu Ding Investment Management Group Co., Ltd. from 2013 to 2017.

Mr. MA Xin, aged 36, was appointed as an executive Director on 8 July 2019. Mr. Ma holds bachelor degrees in both Commerce and Economics from the Laurentian University in Canada. He has extensive experience in financing and trust management. He served as the deputy general manager of investment banking department of Chang'an International Trust Company Limited from 2008 to 2018 and was responsible for loan financing, merger and acquisition and private equity investment. Mr. Ma is currently the executive director and general manager of Oriental Patron Tenghua Financing Leasing (Shenzhen) Co., Limited which engages in providing financial services including financial leasing, equity investment, industrial funds and management consulting.

Mr. LI Zhimin, aged 55, was appointed as an executive Director on 3 July 2017. Mr. Li holds a doctoral degree of management and engineering from University of Science & Technology Beijing in January 2009, a master degree of solid mechanics from University of Science & Technology Beijing in January 1989 and a bachelor degree of metallurgy mechanical engineering from Jiangxi University of Technology in July 1984. Mr. Li has over 30 years of extensive management experience in the metallurgical and railway industry. Mr. Li was a general manager of Sinosteel Corporation from December 1999 to December 2004. Mr. Li was appointed as a general manager of China Metallurgical Raw Materials Corporation from April 2004 to July 2005. He was appointed as vice president of Sinosteel Cooperation from July 2005 to April 2010. From April 2010 to May 2016, Mr. Li acted as deputy general manager of China Railway Materials Company Limited. Prior to joining the Company, Mr. Li served as part time professor and tutor of doctoral candidates in University of Science & Technology Beijing. Mr. Li resigned as an executive Director on 31 December 2018.

Dr. MAO Shuzhong, aged 58, was appointed as an executive Director and chief executive officer of the Company on 6 January 2010. Dr. Mao has extensive experience in business management, organisation structure and re-organisation, the management of mining iron ore, coal and various other metals, as well as marketing, sales and logistics. Prior to joining the Group, Dr. Mao was the vice chairman and president of Northtonhe Holdings Co. Ltd. from May 2006 to July 2008 and the managing director and principal of Auckland Institute of Education, New Zealand from October 2001 to April 2006. He obtained a doctorate degree in economics from Jiangxi University of Finance & Economics, China in 2009, a master's degree in business administration from New York Institute of Technology, U.S.A. in 1999 and a bachelor's degree of arts in English literature from Zhejiang University in Zhejiang, China in 1983. Dr. Mao resigned as an executive Director and chief executive officer of the Company on 8 July 2019.

Mr. WANG Jiafu, aged 53, was appointed as an executive Director on 3 July 2017. Mr. Wang holds a master degree of business administration from Macau University of Science and Technology in September 2009 and a bachelor degree of accountancy from Shanghai University of Technology in 1991. Mr. Wang was also an accountant of Ministry of Personnel of the People's Republic of China. Mr. Wang has over 30 years of extensive experience in accounting and finance. Mr. Wang was the head of accounts department of Shanghai Steel Tube Company Limited from August 1986 to April 1999. He was appointed as a financial controller of Tangshan Jianlong Industrial Co., Ltd, a associate company of Fosun International Limited (Stock Code: 656) and chief accountant of Nanjing Iron & Steel Co., Ltd., a subsidiary of Fosun International Limited from April 1999 to April 2008. Mr. Wang was appointed as deputy general manager and deputy chairman of Jiangsu New Huafa Group Co., Ltd. and Jiangsu Prosperity Steel Company Limited ("Jiangsu Steel") from April 2008 to December 2011. From January 2012 to August 2013, Mr. Wang re-appointed as deputy general manager and chief accountant of Nanjing Iron & Steel Co., Ltd.

Prior to joining the Company, Mr. Wang worked at Prosperity Materials (International) Limited ("PMIL") from September 2013 to June 2017, with the last position as the deputy general manager. Mr. Wong Ben Koon, who was also a controlling shareholder of the Company during the Year, and the chairman of the Board, is the controlling shareholder of PMIL and PMIL holds 50% equity interest in Jiangsu Steel. Mr. Wang resigned as an executive Director on 8 July 2019.

Mr. KONG Siu Keung, aged 50, was appointed as an executive Director and the chief financial officer of the Company on 12 February 2004. Mr. Kong holds a master's degree in business administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kong joined the Group in January 2004 and has over 23 years' experience in finance and accounting field. Mr. Kong was a member of the nomination committee of the Company. Mr. Kong resigned as an executive Director and ceased to be a member of the nomination committee of the Company on 8 July 2019.

Non-executive Directors

Mr. LIU Yongshun, aged 58, has been appointed as an executive Director with effect from 19 September 2011 and re-designated as non-executive Director from 1 February 2014. Before the appointment, Mr. Liu was appointed as a deputy chief executive officer of the Company on 1 June 2011 and will continue to hold such position of the Company. Mr. Liu has extensive experience in raw material supply management for iron and steel making, mineral resource development and raw material trading. Mr. Liu obtained his bachelor's degree in ironing making from Maanshan Institute of Iron Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as a deputy general manager of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007. In April 2007, Mr. Liu was appointed as a non-executive director of APAC Resources Limited ("APAC"), a listed company on the Stock Exchange (Stock Code: 1104) and re-designated as an executive director and chief executive officer of APAC in July 2007. Mr. Liu resigned as a chief executive officer of APAC in December 2009 and has been re-designated as a non-executive director of APAC from April 2010 until he resigned on 1 March 2012. Mr. Liu has been appointed as a non-executive director of Up Energy Development Group Limited, a listed company on the Stock Exchange (Stock Code: 307) on 18 December 2015 and re-designated as an independent non-executive director with effective from 20 April 2016. Mr. Liu resigned as a non-executive Director on 8 July 2019.

Mr. WU Likang, aged 52, was appointed as an executive Director on 1 February 2014 and re-designated as non-executive Director from 18 January 2016. He holds a bachelor's degree in Ceramic Engineering from the Wuhan University of Technology. Mr. Wu has over 27 years of extensive experience in the building materials productions and logistic development. Prior to joining the Company, Mr. Wu was appointed as an assistant to the general manager in Anhui Conch Cement Company Limited (the "Conch", Stock Code: 914), the shares of which are traded on the Stock Exchange, the general manager of Anhui Xuancheng Cement Co., Limited and Ningguo Cement Plant of Conch and the head of the Anhui Conch Construction Materials Design Institute. Mr. Wu also held several senior positions in Conch.

Mr. Wu joined the Company as a general manager in the cement division in July 2007 until the disposal of the major cement production business in April 2010. Mr. Wu re-joined the Company in July 2012 as the general manager and chief operating officer of the mineral division of the Company and resigned on 18 January 2016 upon his re-designation as a non-executive Director of the Company. Mr. Wu resigned as a non-executive Director on 8 July 2019.

Independent non-executive Directors

Mr. CHAN Kai Nang, aged 73, was appointed as independent non-executive Director on 17 August 2010. Mr. Chan holds a diploma in management studies from The University of Hong Kong and a bachelor's degree in Law from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the United Kingdom, a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has been appointed as an independent non-executive director of ZZ Capital International Limited (formerly known as Asian Capital Holdings Limited) (Stock Code: 8295), a listed company on the GEM of the Stock Exchange, from 4 June 2010 to 17 June 2016, an independent non-executive director of Steed Oriental (Holdings) Company Limited (Stock Code: 8277), a listed company on the GEM of the Stock Exchange from 16 September 2013 to 12 August 2016, an independent non-executive director of FDB Holdings Limited (currently known as Dafy Holdings Limited) (Stock Code: 1826), a listed company on the Main Board of the Stock Exchange from 16 September 2015 to 12 January 2018 and an independent non-executive director of PanAsialum Holdings Company Limited (Stock Code: 2078), a listed company on the Main Board of the Stock Exchange from 24 February 2017 to 24 January 2018. Mr. Chan is also currently an independent non-executive director of Soundwill Holdings Limited (Stock Code: 878), a listed company on the Main Board of the Stock Exchange.

Mr. Chan was the deputy chief executive of the Land Development Corporation. He was an executive director and the managing director of the construction materials division of K. Wah Construction Materials Limited (currently known as Galaxy Entertainment Group Limited) (Stock Code: 27), a company listed on the Main Board of the Stock Exchange. Mr. Chan was the chairman of the nomination committee of the Company and a member of remuneration committee of the Company.

Mr. Chan ceased to be the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company, and was appointed as a member of audit committee of the Company on 8 July 2019.

Mr. ZHAO Gen, aged 37, was appointed as independent non-executive Director on 5 July 2019. Also, Mr. Zhao was appointed as the chairman of each of the audit committee of the Company and the nomination committee of the Company, and a member of the remuneration committee of the Company on 5 July 2019. Mr. Zhao holds a doctoral degree in financial management from the Southwestern University of Finance and Economics in the PRC. Mr. Zhao has over 9 years of experience in accounting and finance. Mr. Zhao worked in Chengdu Rural Commercial Bank with his last position as the assistant to general manager from 2010 to 2015. He also served as an assistant to general manager in JZ Securities Company Limited from 2015 to 2018. Mr. Zhao is currently the deputy general manager and financial director of Tong Chuang Jiu Ding Investment Management Group Co., Ltd.

Mr. GUAN Guisen, aged 55, was appointed as an independent non-executive Director on 8 July 2019. Also, Mr. Guan was appointed as the chairman of the remuneration committee of the Company and a member of each of the audit committee of the Company and the nomination committee of the Company on 8 July 2019. Mr. Guan obtained his bachelor degree from China Central University of Finance and Economics (中央財經大學) in 1984 and a master degree from Graduate School of the PBOC (中國人民銀行研究部) in 1987. Mr. Guan has over twenty years of senior management experience in finance, property development and investment in the PRC. He was a deputy president of Hainan Technology and Industry Group (海南科工集團) from 1990 to 1994. He served as a deputy president of Taihe Holdings Co., Ltd. (太合控股有限公司) from 2001 to 2003, a director of China Union Pay Data Services Co., Ltd. (銀聯數據有限公司) from 2002 to 2005 and a general manager of Taihe Real Estate Co., Ltd. (太合地產有限公司) from 2003 to 2007. He was also a director of China Union Loyalty Co., Ltd. (上海銀商資訊有限公司) from August 2008 to October 2014. Mr. Guan was the chairman of Beijing Shangyin Investment Consultancy Co., Ltd. (商銀融通(北京)投資 諮詢有限公司) from April 2010 to March 2011. Mr. Guan acts as the chairman of Beijing Dongsen Jinbi Investment Consultancy Co., Ltd. (北京東森金碧投資諮詢有限公司) since August 2008. Mr. Guan is currently the chairman and executive director of China Youzan Limited, a company listed on the GEM Board of the Stock Exchange (Stock Code: 8083).

Mr. YUEN Kim Hung, **Michael**, aged 58, was appointed as an independent non-executive Director in January 2002. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of Chartered Professional Accountant, Certified General Accountant of British Columbia. Mr. Yuen has over 20 years' experience in auditing, tax and accounting field. Mr. Yuen was the chairman of the remuneration committee of the Company and the audit committee of the Company. Mr. Yuen has been appointed as an independent non-executive director of New Universe Environmental Group Limited (Stock Code: 436), a listed company on Main Board of the Stock Exchange, since 24 April 2002 and appointed as an independent non-executive director of Steed Oriental (Holdings) Company Limited (Stock Code: 8277), a listed company on GEM of the Stock Exchange, since 16 September 2013 and resigned on 12 August 2016. Mr. Yuen resigned as an independent non-executive Director and the chairman of each of the remuneration committee of the Company and the audit committee of the Company on 25 May 2019.

Mr. YUNG Ho, aged 75, was appointed as an independent non-executive Director in September 2004. Mr. Yung has extensive experience in the industries of trading and property development in the PRC. Mr. Yung is a member of the audit committee of the Company and a member of the remuneration committee of the Company. Mr. Yung resigned as an independent non-executive Director and a member of the audit committee of the Company and the remuneration committee of the Company on 8 July 2019.

Mr. MA Jianwu , aged 70, was appointed as independent non-executive Director on 17 August 2010. Mr. Ma worked as a deputy general manager of Guangzhou Iron & Steel Enterprises Group Co., Ltd. and executive deputy general manager, general manager, vice chairman and party committee secretary of Guangzhou Iron and Steel Co., Ltd. (currently known as Guangzhou Guangri Stock Co., Ltd.) (Stock Code: 600894), a listed company on the Shanghai Stock Exchange, before joining the Company. Mr. Ma was a member of audit committee of the Company and a member of nomination committee of the Company. Mr. Ma resigned as an independent non-executive Director and a member of the audit committee of the Company and nomination committee of the Company on 8 July 2019.

Senior Management

Mr. CHEN Hao, aged 60, is the group general manager of the Group's real estate investment and development business. He has nearly 23 years experience in property investment and development in the PRC. He was a general manager of Jiaye Real Estate Development Ltd. ("Jiaye") from the time the company was founded in 1999. In 2005, he obtained a masters degree in Quality Management from Hong Kong Polytechnic University. In 2009, Jiaye and two other property development companies merged and formed China Calxon Group Co., Limited (the "Calxon"), which was successfully listed on the Shenzhen Stock Exchange (Stock Code: 918). Before joining the Group in April 2013, he was an executive director and standing vice president of Calxon.

Mr. HONG Chengzhang, aged 58, is a deputy general manager of the Group's real estate investment and development business. He is responsible for the implementation of corporate strategy and overseeing operational activities. He started his career at the Industrial and Commercial Bank of China ("ICBC") in 1978 as a loan officer and was promoted to vice president and president of ICBC Guangzhou Fangcun Branch in 1984 and 1995 respectively. In 1998, he joined Guangzhou Bliss Hero Real Estate Development Limited, which was subsequently acquired by the Group in August 2010, as a managing director and is responsible for overseeing the development and management of Silver Bay Plaza as well as the management of Oriental Landmark.

Mr. TOK Beng Tiong, aged 48, is an executive in charge of the clinker and cement business. Mr. Tok obtained his bachelor's degree in Commerce from the University of New South Wales in Australia. Mr. Tok has over 18 years' experience in building material industry and relevant logistics management in the PRC and global markets. He had been an employee of the Group from December 2001 to February 2003 and re-joined the Group in January 2005.

Mr. HUANG Xianfang, aged 56, is the chief mining engineer of the Company since July 2010 and he is responsible for organising and managing mining activities as well as monitoring compliance with the health and safety regulations at the Malaysia Mine. He has approximately 24 years of experience in the mining industry. Prior to joining the Company, Mr. Huang has held numerous management positions (including assistant engineer, engineer, senior engineer, chief mining engineer and deputy general manager) at various mining companies including group companies of Maanshan Iron & Steel Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 323) and APAC, and Baoshan Iron & Steel Company Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 600019). Mr. Huang holds a bachelor degree from Central-South Institute of Mining and Metallurgy and a master degree in mining from the Mining Department of the University of Science and Technology Beijing.

Mr. LIU Tsz Kit Lawrence, aged 40, is the financial controller of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic University with a bachelor's degree in Accounting. He joined Company in January 2011 and has over 15 years' experience in commercial and international accounting firms in Hong Kong and Mainland China.

CORPORATE GOVERNANCE REPORT

Introduction

Prosperity International Holdings (H.K.) Limited (the "Company") is committed to maintaining a high standard of corporate governance, emphasising transparency, independence and accountability, in order to promote the interests of all shareholders and enhance shareholders' value.

The Company's corporate governance practices are based on principles and code provisions as prescribed in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board (the "Board") of directors (the "Director(s)") of the Company reviews its corporate governance practices during the year ended 31 March 2019 (the "Year") and from time to time with reference to the latest development of corporate governance in order to meet expectations from all interested parties and comply with requirements from relevant regulatory authorities.

In the opinion of the Directors, the Company has complied with all code provisions set out in the CG Code during the Year, except for one non-compliance that is discussed as follows.

Under paragraph E.1.2 of the CG Code, the chairman of the Board shall attend the annual general meeting and arrange for the respective chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or his duly appointed delegate, to be available to answer questions at any general meeting. The chairman of the independent board committee (if any) shall also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Whilst the Company endeavours to maintain an on-going dialogues with its shareholders, Mr. Wong Ben Koon ("Mr. Wong"), the chairman of the Board was not able to attend annual general meeting held on 27 September 2018 (the "AGM") and the special general meeting of the Company held on 22 February 2019 (the "SGM") due to other important business engagements. Mr. Kong Siu Keung, which was an executive Director on the date of AGM and SGM, attended the AGM and SGM and was delegated to make himself available to answer questions if raised at the meetings. The absence of the chairman of the Board in the AGM and SGM constituted a deviation from the CG Code.

In this corporate governance report (the "CG Report") and the Board considered that the deviation is immaterial given the size, nature and circumstances to the Company and its subsidiaries (collectively the "Group").

The Board

As at 31 March 2019, the Board comprised eleven Directors including five executive Directors, two non-executive Directors and four independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board as at 31 March 2019 and up to the date of this report is set out below:

Executive Directors:

Mr. WONG Ben Koon, *Chairman*
Ms. Gloria WONG
Mr. XIE Qiangming, *Chief Executive Officer*
(appointed on 4 July 2019)
Mr. NIE Qiaoming *(appointed on 5 July 2019)*
Mr. MA Xin *(appointed on 8 July 2019)*
Dr. MAO Shuzhong *(resigned as both executive Director and Chief Executive Officer on 8 July 2019)*
Mr. WANG Jiafu *(resigned on 8 July 2019)*
Mr. KONG Siu Keung *(resigned on 8 July 2019)*

Non-executive Directors:

Mr. LIU Yongshun *(resigned on 8 July 2019)*
Mr. WU Likang *(resigned on 8 July 2019)*

Independent non-executive Directors:

Mr. CHAN Kai Nang
Mr. ZHAO Gen *(appointed on 5 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*

The biographical details of the Directors are set out on pages 24 to 27 to this report.

Regular Board meetings are held at least four times a year to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. A meeting is also held as and when necessary to discuss significant matters. Sufficient notice of not less than 14 days has been given to all Directors for regular Board meetings and reasonable notice has been given for other meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings and have access to the company secretary of the Company (the "Company Secretary") to ensure that all board procedures and all applicable rules and regulations are followed. The Board also enables Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

17 Board meetings were held during the Year and the details of attendance of Board meetings and the general meetings are set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Mr. Wong	15/17	0/2
Dr. Mao Shuzhong *(resigned on 8 July 2019)*	14/17	0/2
Ms. Gloria Wong	15/17	0/2
Mr. Li Zhimin *(resigned on 31 December 2018)*	9/14	0/2
Mr. Wang Jiafu *(resigned on 8 July 2019)*	14/17	0/2
Mr. Kong Siu Keung *(resigned on 8 July 2019)*	17/17	2/2
Mr. Liu Yongshun *(resigned on 8 July 2019)*	14/17	0/2
Mr. Wu Likang *(resigned on 8 July 2019)*	14/17	0/2
Mr. Yuen Kim Hung, Michael *(resigned on 25 May 2019)*	17/17	2/2
Mr. Yung Ho *(resigned on 8 July 2019)*	16/17	0/2
Mr. Chan Kai Nang	17/17	2/2
Mr. Ma Jianwu *(resigned on 8 July 2019)*	16/17	0/2

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as interim and annual results, investment, Director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the chief executive officer and the senior management.

During the Year, Mr. Wong was the controlling shareholder of the Company. His respective interests of the Company as at the end of the Year are disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" in the "Report of the Directors". Mr. Wong has beneficial interests in certain companies outside the Group. Transactions between these companies and the Group (if any) during the Year are disclosed in note 50 to the consolidated financial statements.

Save as disclosed above and in note 50 to the consolidated financial statements, there is no financial, business, family or other material or relevant relationship among the Directors or between the chairman and the chief executive officer, except that Ms. Gloria Wong, the executive Director, is the daughter of Mr. Wong, the chairman of the Board.

During the Year, the Board complied with Rule 3.10A of the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. On 25 May 2019, Mr. Yuen Kim Hung, Michael ("Mr. Yuen") resigned as independent non-executive Director. The Company was thus in deviation from Rule 3.10A of the Listing Rules as the number of independent non-executive Directors are less than one-third of the Board upon the resignation of Mr. Yuen. Following the appointment of Mr. Zhao Gen as independent non-executive Director on 5 July 2019 and the change of Directors on 8 July 2019 as described below, the Company has three independent non-executive Directors and represent at least one-third of the Board.

On 4 July 2019, Mr. Xie Qiangming was appointed as an executive Director. On 5 July 2019, Mr. Nie Qiaoming was appointed as an executive Director and Mr. Zhao Gen was appointed as an independent non-executive Director. On 8 July 2019, Dr. Mao Shuzhong, Mr. Wang Jiafu and Mr. Kong Siu Keung resigned as executive Directors, Mr. Liu Yongshun and Mr. Wu Likang resigned as non-executive Directors, Mr. Yung Ho and Mr. Ma Jianwu resigned as independent non-executive Directors and Mr. Ma Xin was appointed as an executive Director and Mr. Guan Guisen was appointed as an independent non-executive Director. Subsequent to the restructure of the Board, the Company comprises five executive Directors and three independent non-executive Directors and complies with Rules 3.10A of the Listing Rules.

During the Year, all the non-executive Directors were appointed for a term of 3 years while all the independent non-executive Directors were appointed for a specific term. All independent non-executive Directors will be subject to retirement by rotation and re-election at the annual general meetings of the Company. The Company has received an annual written confirmation from each of the independent non-executive Directors, during the Year and up to the date of the report, of his independence. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out under Rule 3.13 of the Listing Rules.

All Directors, including independent non-executive Directors, are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company, provided that every Director shall be retired at least once every three years.

Chairman and Chief Executive Officer

The chairman of the Company (the "Chairman") is responsible for deriving the corporate culture and long term strategic plan of the Group, while the chief executive officer of the Company (the "CEO") is responsible for the overall management of the Group, including strategic planning, business developments and operations. During the Year and up to the date of this report, Mr. Wong was the Chairman. Dr. Mao Shuzhong was the CEO during the Year and resigned on 8 July 2019, and Mr. Xie Qiangming was then appointed as CEO on 8 July 2019.

Audit Committee

During the Year, the Company has an audit committee (the "Audit Committee") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. During the Year, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Yuen (chairman of the Audit Committee) who resigned on 25 May 2019, Mr. Yung Ho who resigned on 8 July 2019 and Mr. Ma Jianwu who resigned on 8 July 2019. With effect from 8 July 2019, Mr. Zhao Gen has been appointed as the chairman of the Audit Committee and Mr. Chan Kai Nang and Mr. Guan Guisen have been appointed as members of the Audit Committee.

All members possessed diversified industry experiences and appropriate professional qualifications as required under the Listing Rules. Major duties of the Audit Committee and responsibilities shall be:

1. to review the Company's financial results and reports, internal controls and corporate governance issues, internal control and risk management systems, financial and accounting policies and practices and made recommendations to the Board;

2. to discuss with the external auditor of the Company (the "External Auditor") on their independence and the nature and scope of the audit and recommended to the Board on the re-appointment of RSM Hong Kong as the External Auditor;

3. to discuss with the External Auditor on any material queries raised by the External Auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

4. to discuss with external internal control advisor of the Company (the "IC Advisor") on their independence and the nature and scope of the internal control review and recommended to the Board on the appointment of Zhonghui Anda Risk Services Limited as the IC Advisor;

5. to discuss with the IC Advisor on any material internal control findings and management's responses; and

6. to review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems, including the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

The attendance record of each Audit Committee member at the meetings of the Audit Committee during the Year is set out below:

Name of Directors	**Attendance/ Number of Audit Committee Meetings**
Mr. Yuen (chairman of the Audit Committee, resigned on 25 May 2019)	2/2
Mr. Yung Ho (resigned on 8 July 2019)	2/2
Mr. Ma Jianwu (resigned on 8 July 2019)	2/2

During the Year, the Audit Committee had performed the works as follows:

1. reviewed the reports from the External Auditor, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 March 2018 and the interim results for the six months ended 30 September 2018;

2. reviewed the financial reports for the year ended 31 March 2018 and for the six months ended 30 September 2018 and recommended the same to the Board for approval;

3. concurred with the Board regarding the selection, appointment, resignation or dismissal of the External Auditor;

4. reviewed the Group's internal control based on the information obtained from the IC Advisor and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and

5. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function).

Upon the resignation of Mr. Yuen as independent non-executive Director on 25 May 2019, the Company had been in deviation from Rule 3.21 of the Listing Rules as the Company fails to meet the requirement that the Audit Committee must comprise a minimum of three members, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules, and shall be chaired by an independent non-executive Director. Following the change of composition of the Audit Committee on 8 July 2019, the Company has re-complied with Rules 3.21 and 3.10(2) of the Listing Rules.

On 8 July 2019, Mr. Yung Ho and Mr. Ma Jianwu resigned as independent non-executive Directors and members of the Audit Committee. Mr. Zhao Gen was appointed as a chairman of the Audit Committee and Mr. Guan Guisen and Mr. Chan Kai Nang were appointed as members of the Audit Committee.

As at the date of this report, the Audit Committee consists of three members, Mr. Zhao Gen, Mr. Chan Kai Nang and Mr. Guan Guisen, all of whom are independent non-executive Directors. The Audit Committee has reviewed with the management and the External Auditor, the audited consolidated financial statements of the Group for the Year. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

The details of the Group's ability to continue as a going concern is set out in the section headed "Liquidity, Financial Resources and Capital Structure" under the "Management Discussion and Analysis" on pages 18 and 19 of this report. The Audit Committee agreed and shared the same view with the Board on the Group's ability to continue as a going concern and accepted the External Auditor's opinion which is set out in "Independent Auditor's Report" on pages 58 to 60 of this report.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was set up in March 2005 and during the Year, its term of reference was in full compliance with the provisions set out in CG Code. It was constituted by three independent non-executive Directors, namely, Mr. Yuen (chairman of the Remuneration Committee), Mr. Yung Ho and Mr. Chan Kai Nang.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and the remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

The emoluments of Directors and senior management of the Company are based on skills, knowledge and performance, together with reference to the prevailing market conditions. In addition, the Company has established a share option scheme to provide incentives and rewards to eligible participants and to attract suitable personnel for continuous development of the Group.

Two meetings had been held during the Year to discuss remuneration related matters. The Remuneration Committee reviewed and made recommendations to the Board on bonus payments and increments in salary and housing allowance (if any) for the Directors and senior management of the Company.

The attendance record of each Remuneration Committee member at the meetings of the Remuneration Committee during the Year is set out below:

Name of Directors	**Attendance/ Number of Remuneration Committee Meetings**
Mr. Yuen (chairman of the Remuneration Committee, resigned on 25 May 2019)	2/2
Mr. Yung Ho (resigned on 8 July 2019)	2/2
Mr. Chan Kai Nang (ceased to be a member of the Remuneration Committee on 8 July 2019)	2/2

Upon the resignation of Mr. Yuen as an independent non-executive Director on 25 May 2019, the Company had been in deviation from Rule 3.25 of the Listing Rules as the Company fails to meet the requirement that the Remuneration Committee shall be chaired by an independent non-executive Director. Following the change of composition of the Remuneration Committee on 8 July 2019, the Company has re-complied with Rule 3.25 of the Listing Rules.

On 8 July 2019, Mr. Yung Ho resigned as an independent non-executive Director and as a member of Remuneration Committee while Mr. Chan Kai Nang ceased to be a member of the Remuneration Committee. On 8 July 2019, Mr. Guan Guisen was appointed as the chairman of Remuneration Committee and Mr. Xie Qiangming and Mr. Zhao Gen were appointed as members of Remuneration Committee.

As at the date of this report, the Remuneration Committee consists of three members, namely Mr. Guan Guisen (chairman of the Remuneration Committee), Mr. Xie Qiangming and Mr. Zhao Gen.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was set up on 30 March 2012 and during the Year, its terms of reference was in full compliance with provisions set out in the CG Code. It was constituted by three Directors, namely, Mr. Chan Kai Nang (chairman of the Nomination Committee), Mr. Ma Jianwu and Mr. Kong Siu Keung. Following the change of composition of the Nomination Committee on 8 July 2019 and as at the date of this report, the Nomination Committee consists of three members, namely, Mr. Zhao Gen (chairman of the Nomination Committee), Mr. Xie Qiangming and Mr. Guan Guisen.

The major duties and responsibilities of the Nomination Committee shall be:

1. to review the structure, size and composition (including the skills, knowledge, and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors, having regarded to the requirements under the Listing Rules;

4. to ensure that the Board has a balance of skill, knowledge, experience and diversity of perspective appropriate to the requirements of the Company's business; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

The key nomination criteria and principles of the Company which is in place for the nomination of directors constitute the nomination policy of the Company ("Nomination Policy"). The purpose of the Nomination Policy is to identify candidates who are suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The core criteria for selection include:

(i) character and integrity;

(ii) qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy (elaborated below) that are relevant to the Company's business and corporate strategy;

(iii) requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(iv) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(v) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

(vi) such other perspectives appropriate to the Company's business.

During the Year, three meetings were held by the Nomination Committee to assess the structure, size and composition of the Board; to assess the independence of independent non-executive Directors; and to evaluate the Nomination Policy and the implementation of the Board Diversity Policy (defined in the section headed "Board Diversity Policy" below).

The attendance record of each Nomination Committee member at the meeting of the Nomination Committee during the Year is set out below:

Name of Directors	Attendance/ Number of Nomination Committee Meetings
Mr. Chan Kai Nang (ceased to be the chairman of the Nomination Committee on 8 July 2019)	3/3
Mr. Ma Jianwu (resigned on 8 July 2019)	3/3
Mr. Kong Siu Keung (resigned on 8 July 2019)	3/3

On 8 July 2019, Mr. Ma Jianwu and Mr. Kong Siu Keung resigned as the Directors and a members of the Nomination Committee and Mr. Chan Kai Nang ceased to be the chairman of the Nomination Committee. Mr. Zhao Gen was appointed the chairman of Nomination Committee and Mr. Xie Qiangming and Mr. Guan Guisen were appointed as members of Nomination Committee.

Directors' Securities Transactions

The Board has adopted the Model Code for securities transactions by the directors of listed companies as set out in Appendix 10 to the Listing Rules (the "Model Code"), as the code of conducts regarding Directors' securities transactions during the Year.

Having made specific enquiry with all Directors, each of them confirmed that the Model Code has been complied in full throughout the Year.

Securities Transactions by Relevant Employees

The Board has also adopted a policy with no less exacting terms than the Model Code for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in securities of the Company. Having made specific enquiry with all Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for each financial period with a view to ensuring such consolidated financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgements and estimates made are prudent and reasonable.

The Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through the following:

(a) the successful negotiations with the lenders for the renewal of or extension for repayment for those borrowings that are scheduled for repayment (either based on the original agreements or the existing arrangements) within the next twelve months from the date of this report, including those principals and interests that are already overdue;

(b) the successful obtaining of additional new sources of financing as and when needed;

(c) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflows;

(d) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's property development projects such that no further actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(e) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms.

Furthermore, to resolve the pressure from the maturing indebtedness, the Company is in the progress of negotiating with the relevant creditors with a view to execute a possible financial restructuring plan, part of which includes seeking potential investors who are interested in investing in the Group. It is currently in discussion with an independent third party (the "Investor") with that regard. A non-legally binding letter of intent ("LOI") has been entered between the Company and the Investor. For details of the LOI, please refer to the announcement of the Company on 15 July 2019.

In addition, subject to (i) the successful extension of the maturing indebtedness; (ii) the successful collection of a consideration receivable of approximately RMB290 million arising from the disposal of the Redevelopment Project (defined in the section headed "Material Acquisition, Disposal and Other Transactions" under the "Management Discussion and Analysis"); (iii) the cash flows generated from the operating activities of the Group; and (iv) the financial resources presently available to the Group including available facilities, the Directors are of the opinion that the Group will have sufficient working capital to meet its up-coming needs for the next 12 months from the date of this report.

Despite the uncertainty, the Board is confident that the Group is able to continue as a going concern. The Group is carrying on its businesses as usual and that the Directors consider that, unless the lenders take action to wind-up the Company, the current financial position of the Group does not prevent the Group from operating in its normal and usual course of business.

The statement of the External Auditor about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 58 to 60 of this report.

Communications with Shareholders

The Company has established and maintained different communication channels with its shareholders. The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports, interim reports and public announcements. The Company also maintains its website (http://www.pihl-hk.com) to provide an alternative communication channel for the public and its shareholders. All corporate communication and the Company's latest updates are available on the Company's website for public information.

General Meeting

During the Year, the Company had been in deviation from E.1.2 of the CG Code as the chairman of the Board and some of the Directors were unable to attend the AGM and the SGM due to business engagement. Mr. Kong Siu Keung, who was the executive Director of the Company on the date of AGM and SGM, attended the AGM and SGM and were delegated to make himself available to answer questions if raised at the meetings. The absence of the Chairman in the AGM and SGM constituted a deviation from the CG Code.

Directors' Continuous Training and Development

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

All Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills. The records of the Directors participated in the continuous professional development programmes during the Year are as follows:

Name of Directors	Attending training courses, seminars or conference	Reading materials or updates
Executive Directors:		
Mr. Wong		✓
Dr. Mao Shuzhong (resigned on 8 July 2019)		✓
Ms. Gloria Wong		✓
Mr. Wang Jiafu (resigned on 8 July 2019)		✓
Mr. Kong Siu Keung (resigned on 8 July 2019)	✓	✓
Mr. Li Zhimin (resigned on 31 December 2018)		✓
Non-executive Directors:		
Mr. Liu Yongshun (resigned on 8 July 2019)		✓
Mr. Wu Likang (resigned on 8 July 2019)		✓
Independent non-executive Directors:		
Mr. Yuen (resigned on 25 May 2019)	✓	✓
Mr. Yung Ho (resigned on 8 July 2019)		✓
Mr. Chan Kai Nang	✓	✓
Mr. Ma Jianwu (resigned on 8 July 2019)		✓

Company Secretary

Mr. Kong Siu Keung, the executive Director (who resigned as the executive Director on 8 July 2019) and the chief financial officer of the Company, is also appointed by the Board as the Company Secretary. He fulfilled the hours of training required under Rule 3.29 of the Listing Rules to perform the duties required.

Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provides advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assists the Board in implementing the corporate governance practices.

Board Diversity Policy

The Company is dedicated to having a diverse board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. In this connection, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the "Board Diversity Policy").

Pursuant to the Board Diversity Policy, the Company considers Board diversity from a number of perspectives, including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service.

The ultimate decision would be based on merit and contribution the selected candidates would bring to the Board. The Nomination Committee opined that the Company has a diverse board. The Nomination Committee and the Board would review the Board Diversity Policy at least annually.

Dividend Policy

The dividend policy which is in place reflects the Board's current view on the financial and cash flow positions of the Company and its subsidiaries. The Board will review the dividend policy from time to time, but the Company does not guarantee any payment of dividends in any specific amount at any designated period. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others:

(i) the Group's actual and expected financial performance;

(ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iii) retained profits and distributable reserves of the Company and each of the members of the Group;

(iv) the Group's liquidity positions;

(v) interest of shareholders;

(vi) taxation consideration;

(vii) potential effect on creditworthiness;

(viii) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(ix) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of Bermuda, the Listing Rules, the laws of Hong Kong and bye-laws of the Company and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Corporate Social Responsibility

The Group is conscious of its role as a socially responsible group of companies. It has made donations from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services.

Internal Control and Risk Management

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control and risk management. During the Year, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including financial, operational and compliance controls.

The Group adopts a risk management system which manages the risk associated with its business and operations. The system includes the following elements:

1. Risk identification: Identify major and significant risks that could affect the achievement of goals of the Group;

2. Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

3. Risk mitigation: Develop effective control activities to mitigate the risks; and

4. Monitoring: Monitor and review the effectiveness of such measures.

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational system.

With respect to the monitoring and disclosure of inside information, the Company has formulated its guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

The Board, having taken into account the internal audit review report from the IC Advisor and the opinion from the Audit Committee, as well as the assessment made by the Company's management, has conducted a review of the effectiveness of the internal control and risk management systems of the Group for the Year. The Board, through the Audit Committee, is satisfied that the internal control system is sufficient to provide reasonable assurances that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and paper accounting records are maintained. In addition, the Board considered that resources, qualification and experience of staff responsible for the Company's accounting, internal audit and financial reporting function, their training and budget are adequate.

Shareholders' Rights

(i) Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting to be called by the Board. The written requisition (i) must state the purposes of the special general meeting; and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists.

Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the special general meeting will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a special general meeting, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a special general meeting, but any special general meeting so convened shall not be held after expiration of two months from the said date of deposit of the requisition. A special general meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any special general meeting to be convened by the Board.

(ii) Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

(iii) Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Suites 1801-06, 18/F., Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Auditor's Remuneration

RSM Hong Kong was appointed as the External Auditor of the Company. The External Auditor is primarily responsible for providing audit services in connection with the annual consolidated financial statements. During the Year, the total remuneration in respect of services provided by RSM Hong Kong amounted to approximately HK$4,034,000, of which approximately HK$3,750,000 was incurred for statutory audit and approximately HK$284,000 was incurred for non-audit services which mainly included tax compliance services and other professional services.

Constitutional Documents

There are no changes in the Company's constitutional documents during the Year.

Conclusion

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interests. The management will continue to maintain, strengthen and improve the standard and quality of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The board of directors (the "Directors" or the "Board") of Prosperity International Holdings (H.K.) Limited (the "Company") is pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 (the "Year").

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 51 to the consolidated financial statements. The core business of the Group is the (i) real estate investment and development; (ii) mining and trading of iron ore and raw materials; and (iii) trading of clinker, cement and other building materials.

An analysis of the Group's performance for the Year by operating segments is set out in note 10 to the consolidated financial statements.

Results and Appropriations

The Group's loss for the Year set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 61 and 62 and the state of affairs of the Group as at 31 March 2019 are set out in the consolidated statement of financial position on pages 63 and 64.

The Directors do not recommend the payment of a final dividend for the Year.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 March 2019 is set out on page 176. This summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Year are set out in note 18 to the consolidated financial statements.

Principal Properties

Details of the movements in the investment properties of the Group during the Year are set out in note 19 to the consolidated financial statements. A summary of the properties held for investment and under development for sales are set out on page 174 and page 175 respectively. The summary of the properties held for investment and under development for sale do not form part of the audited consolidated financial statements.

Principal Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2019 are set out in note 51 to the consolidated financial statements.

Convertible Bonds

Details of the convertible bonds are set out in note 42 to the consolidated financial statements.

Debenture

The Company had issued an aggregate outstanding principal amount of approximately US$18 million (equivalent to approximately HK$140 million) guaranteed note ("CCB Notes") to Cheer Hope Holdings Limited ("Cheer Hope"), details of which is disclosed in note 44 to the consolidated financial statements and the section headed "Disclosure under Rule 13.21 of the Listing Rules" below on page 46 to this report.

Share Capital

On 30 October 2018, the Company put forward the share consolidation and change in board lot size proposals. Upon the passing of the ordinary resolutions by the shareholders on 22 February 2019, every ten issued and unissued shares of the Company of par value of HK$0.01 each were consolidated into one consolidated share of par value of HK$0.1 each. The board lot size for trading on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") was also changed from 20,000 pre-consolidated shares to 10,000 consolidated shares. The details are set out in the section headed "Share Consolidation and Change of Board Lot Size" under the "Management Discussion and Analysis" on page 20 to this report.

The Company repurchased 3,080,000 pre-consolidated shares on the Stock Exchange (the "Repurchase") and subsequently cancelled during the Year . The total consideration (including transaction costs) of the Repurchases was HK$117,540.

Details of movements in the Company's share capital during the Year, together with the reasons therefor, are set out in note 33 to the consolidated financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

The total consideration (including transaction costs) of the Repurchases was HK$117,540. All of the repurchased pre-consolidated shares were cancelled during the Year. Particulars of the Repurchases are as follows:

Month	Number of pre-consolidated shares repurchased	Purchase price per pre-consolidated share Highest	Lowest	Aggregate consideration
		HK$	HK$	HK$
December 2018	3,080,000	0.040	0.036	117,540

The Board considers that the Repurchases enhanced the earnings per share and benefited the Company and its shareholders as a whole. Apart from the foregoing, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

Tax Relief

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

Reserves

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 65.

Bank Borrowings

Details of the bank borrowings of the Group are set out in note 36 to the consolidated financial statements.

Distributable Reserves

At 31 March 2019, the Company's reserves (comprised the contributed surplus, accumulated losses and share premium which can be transferred to the contributed surplus in accordance to the Bermuda Companies Act 1981) available for distribution to shareholders amounted to approximately HK$456 million (2018: HK$1,122 million).

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$872 million (2018: HK$872 million) may be distributed under certain circumstances. In addition, the Company's share premium account of approximately HK$2,260 million (2018: HK$2,260 million) as at 31 March 2019 may be distributed in the form of fully paid bonus shares. Details of the share premium account and reserves of the Company are set out in note 35(b) to the consolidated financial statements.

Relationships with Stakeholders

The Group recognises that employees, customers and business partners are key to its sustainable development. The Group is committed to establishing close and caring relationships with its employees, providing quality products and services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity in its staff, and provides competitive remuneration and benefits and career development opportunities based on the employees' merits and performance. The Group also puts ongoing efforts into providing adequate training and resources for the employees' development so that they can keep abreast of the market and the industry and, at the same time, improve their performance and attain self-fulfillment in their positions.

The Group understands that it is important to maintain good relationships with customers and provide the products in a way that satisfy the latter's needs and requirements. The Group enhances its customer relationship by communicating with customers to gain insight into the market's changing preference for the products so that the Group can satisfy the wants proactively.

The Group is also dedicated to developing good relationships with suppliers and contractors as long-term business partners to enhance the stability of the Group's businesses. The Group reinforces the business partnership with suppliers and contractors by communicating with them proactively.

Major Customers and Suppliers

During the Year, sales to the Group's five largest customers accounted for approximately 35.3% of total sales and sales to the largest customer included therein amounted to approximately 10.7% of total sales. The Group's five largest suppliers accounted for approximately 33.8% of total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 10.5% of total purchases.

Save as disclosed above, none of the Directors of the Company or any of their associates, or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the Year.

Donations

Donations made by the Group during the Year amounted to approximately HK$331,000 (2018: HK$2,224,000).

Disclosure under Rule 13.21 of the Listing Rules

On 16 March 2016, the Company entered into the subscription agreement with Cheer Hope, and with Mr. Wong Ben Koon ("Mr. Wong") as the guarantor, pursuant to which the Company conditionally agreed to issue the 5% guaranteed convertible bonds due 2018 (the "CCB Convertible Bonds") and CCB Notes, each in the aggregate principal amount of US$20 million (equivalent to approximately HK$156 million), to Cheer Hope.

In relation to the CCB Convertible Bonds and the CCB Notes, Mr. Wong agreed to irrevocably and unconditionally guarantee the punctual performance by the Company of all of its obligation under the transaction documents of the CCB Convertible Bonds and the CCB Notes ("Transaction Documents"). Pursuant to the terms of the CCB Convertible Bonds instrument (the "CCB CB Instrument"), the CCB Notes instrument (the "Notes Instrument") and the Second Amendment, the maturity date of the CCB Convertible Bonds and the CCB Notes extended for one anniversary from 15 April 2018. Further, pursuant to the terms of the CCB CB Instrument and the Notes Instrument, specific performance obligations are imposed on Mr. Wong during the respective terms of the CCB Convertible Bonds and the CCB Notes, occurrence of any of the following events, among others, shall constitute an event of default: (1) Mr. Wong ceases to be the chairman of the Board; (2) Mr. Wong, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 50% of the shares of the Company; and (3) all or any substantial part of the assets of Mr. Wong is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government.

Non-compliance with the aforesaid obligations by Mr. Wong will constitute an event of default under the CCB CB Instrument and the Notes Instrument, upon the occurrence of which Cheer Hope may elect to require the Company to redeem the CCB Convertible Bonds and/or the CCB Notes at an amount equal to the aggregate of (i) the aggregate principal amount of the CCB Convertible Bonds and/or the CCB Notes (as the case may be) held by Cheer Hope; (ii) any accrued but unpaid interest on the CCB Convertible Bonds and/or the CCB Notes (as the case may be); and (iii) an amount that would yield an internal rate of return of 22% on the aggregate principal amount of the CCB Convertible Bonds and/or the CCB Notes (as the case may be) (taking into account the interest amounts arising under the CCB Convertible Bonds and/or the CCB Notes which have accrued and have been paid) calculated from the relevant issue date until the relevant date of the default redemption. At the same time when the above redemption amount is due and payable, the Company shall also pay Cheer Hope any taxes, fees, costs, charges, duties and expenses due under the Transaction Documents in respect of the CCB Convertible Bonds and/or the CCB Notes (as the case may be).

The CCB Convertible Bonds are subject to the fulfillment of covenants set out in the deed poll entered into by the Group with the bondholders. If the covenants are breached, the CCB Convertible Bonds will become payable on demand. As a consequence of the Cross-defaults, CCB Convertible Bonds became immediately repayable. During the year ended 31 March 2019, the Group breached certain covenant clauses in deed poll in relation to the maintenance of net asset value and total asset value-to-total equity ratio of the Group. As a result, CCB Convertible Bonds with carrying amount of approximately HK$146,666,000, which were already cross-defaulted, are subject to an early repayment option by the bondholders. On 15 April 2019, the Group failed to repay the principal and interest of CCB Convertible Bonds on its maturity date. On 12 June 2019, Mr. Wong, in his personal capacity or through any entity controlled by him, ceased to, in aggregate own and control more than 50% of the shares of the Company. No waivers in respect of the breach of the financial covenants of CCB Convertible Bonds have been obtained from bondholders up to the date of this report.

Directors

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. WONG, *Chairman*
Ms. Gloria WONG
Mr. XIE Qiangming, *Chief Executive Officer (appointed on 4 July 2019)*
Mr. NIE Qiaoming *(appointed on 5 July 2019)*
Mr. MA Xin *(appointed on 8 July 2019)*
Mr. LI Zhimin *(resigned on 31 December 2018)*
Dr. MAO Shuzhong *(resigned on 8 July 2019)*
Mr. WANG Jiafu *(resigned on 8 July 2019)*
Mr. KONG Siu Keung *(resigned on 8 July 2019)*

Non-executive Directors

Mr. LIU Yongshun *(resigned on 8 July 2019)*
Mr. WU Likang *(resigned on 8 July 2019)*

Independent Non-executive Directors

Mr. CHAN Kai Nang
Mr. ZHAO Gen *(appointed on 5 July 2019)*
Mr. GUAN Guisen *(appointed on 8 July 2019)*
Mr. YUEN Kim Hung, Michael *(resigned on 25 May 2019)*
Mr. YUNG Ho *(resigned on 8 July 2019)*
Mr. MA Jianwu *(resigned on 8 July 2019)*

In accordance with bye-law 86(2) of the Company's bye-laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Therefore, Mr. Xie Qiangming, Mr. Nie Qiaoming, Mr. Ma Xin, Mr. Zhao Gen and Mr. Guan Guisen who were appointed to fill casual vacancies of the Board shall hold their office until the forthcoming annual general meeting of the Company and shall then be eligible for re-election.

Also, in accordance with bye-law 87 of the Company's bye-laws, Mr. Wong, Ms. Gloria Wong and Mr. Chan Kai Nang, being the Directors who have been longest in office since their last re-election or appointment, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 24 to 28 to this report.

Directors' Service Contracts

Other than statutory compensation, none of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation.

The service contracts entered into between the Company and Mr. Wong and Mr. Kong Siu Keung (who resigned as an executive Director on 8 July 2019) have no expiry date, but can be terminated by the giving of three months' prior notice, and is exempted from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Permitted Indemnity Provision

Under the Articles of the Company, the Company had a permitted indemnity provision in force for the benefit of the Directors throughout the Year and as at the date of approval of this report, pursuant to which the Company shall indemnify any Director against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and senior management of the Company throughout the Year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' emoluments are set out in the note 15 to the consolidated financial statements.

Directors' Interests in Contracts

Save as disclosed in note 50 to the consolidated financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party, and which subsisted at the end of the Year or at any time during the Year.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company

Long position in the shares and underlying shares

	Number of shares and underlying shares held, capacity and nature of interest					
Name of Director/chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Interest of Director's spouse**	**Number of underlying shares held under equity derivatives**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wong	193,107,561	638,226,778 (Notes)	2,264,000	–	833,598,339	65.42%
Dr. Mao Shuzhong	–	–	–	3,000,000	3,000,000	0.24%
Mr. Liu Yongshun	–	–	–	1,500,000	1,500,000	0.12%
Ms. Gloria Wong	–	–	–	1,000,000	1,000,000	0.08%
Mr. Kong Siu Keung	–	–	–	1,000,000	1,000,000	0.08%

Notes:

a. Mr. Wong is deemed to be interested in (a) 404,893,445 Shares which comprise of 211,567,312 shares, 263,951 shares, 263,951 shares and 192,798,231 shares through his interest in 100% shareholding in Capital Growth Limited ("Capital Growth"), which in turn owns 67.2%, 65%, 65% and 100% shareholding in Prosperity Minerals Group Limited ("PMGL"), Max Will Limited ("Max Will"), Max Start Limited ("Max Start") and Elite Force (Asia) Limited ("Elite Force") respectively; (b) 233,333,333 shares through his interest in 50% shareholding in Keen Phoenix Limited ("Keen Phoenix"), which in turn wholly owns Super Chine Holdings Limited ("Super Chine"), which in turn owns 95% shareholding in Prosperity Materials (International) Limited ("PMIL").

b. Pursuant to the put option deed (the "Put Option Deed") executed between PMGL, Mr. Wong, Luck Well Management Limited ("Luck Well") and Cheer Hope on 13 September 2016, PMGL granted the put option to Cheer Hope conferring rights to sell 156,911,748 pre-consolidated shares of nominal value of HK$0.01 each in the share capital of the Company to PMGL or Mr. Wong pursuant to the terms of the Put Option Deed and which has been expired on 13 September 2018. As at 16 January 2019, Mr. Wong and PMGL entered into an amendment to the Put Option Deed (the "Amended Put Option Deed"), to grant an option to Cheer Hope to sell 131,746,833 pre-consolidated shares to any or both of Mr. Wong and PMGL. The amendment of the Amended Put Option Deed expired on 1 February 2019 and Mr. Wong and PMGL ceased to have long position in respect of such 131,746,833 pre-consolidated shares.

Save as disclosed above, as at 31 March 2019, so far as is known to any Director or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Share Option Scheme

The details of the Company's share option scheme, including the movement of, and any outstanding share options during the Year are disclosed in note 45 to the consolidated financial statements. The share option scheme adopted by the Company following the approval of the shareholders of the Company in accordance with the Listing Rules at the annual general meeting held on 25 September 2009.

Save as disclosed above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director, or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

Directors' Interests in Competing Business

During the Year, the following Director was considered having interests in the following excluded businesses ("Excluded Businesses"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which the Group was interested and the Director's only interests are as directors appointed to represent the interests of the Group.

Mr. Wong, the controlling shareholder of the Company and an executive Director during the Year, directly and through his controlled associates, held beneficial interests in the following company, which was also engaged in the trading of iron ore:

(i) Century Global Commodities Corporation ("Century Global")

Century Global is a resource development company, which was originally incorporated under the laws of the Province of British Columbia, Canada and later it continued its existence from British Columbia to Cayman Islands under the Companies Law (2013 Revision) of the Cayman Islands. Century Global engages in iron ore mining business and food distribution business. Mr. Wong, through his controlled associates, held interests in Century Global and was also a director of Century Global. The Board believes that as the size of that part of these Excluded Businesses in the People's Republic of China ("PRC"), where the Group has iron ore trading business, is not insignificant when compared with the iron ore trading business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the iron ore trading business of the Group in the PRC.

During the Year, the Excluded Businesses were operated and managed by companies (and in the case of Century Global, by a publicly listed company) with independent management and administration. On this basis, the Directors believe that the Group is capable of carrying on its business independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

Save as aforesaid, during the Year, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and proposed directors of the Company and their respective close associates was considered to have any interests in businesses which competed or were likely, either directly or indirectly, with the businesses of the Group.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 31 March 2019, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares and underlying Shares

		Number of shares and underlying shares held, capacity and nature of interest			
Name	**Capacity/nature of interest**	**Number of shares**	**Number of underlying shares**	**Total**	**Percentage of the Company's issued shares capital**
Madam Hon Ching Fong	Interest in controlled corporations (Note a)	445,428,547	–	445,428,547	34.96%
PMGL (Note f)	Beneficial owner (Notes a & c)	211,567,312	–	211,567,312	16.60%
Ms. Shing Shing Wai	Interest of spouse (Note b)	831,334,339	–		
	Beneficial owner	2,264,000	–		
		833,598,339	–	833,598,339	65.42%
Elite Force (Note f)	Beneficial owner (Note c)	192,798,231	–	192,798,231	15.13%
PMIL (Note f)	Beneficial owner (Notes d & e)	233,333,333	–	233,333,333	18.31%
Keen Phoenix (Note f)	Interest in controlled corporations (Notes a, d & e)	233,333,333	–	233,333,333	18.31%
Super Chine (Note f)	Interest in controlled corporations (Notes d & e)	233,333,333	–	233,333,333	18.31%

Name	Capacity/nature of interest	Number of shares	Number of underlying shares	Total	Percentage of the Company's issued shares capital
	Number of shares and underlying shares held, capacity and nature of interest				
Capital Growth (Note f)	Interest in controlled corporations (Note c)	404,893,445	–	404,893,445	31.77%
Central Huijin Investment Limited ("CHI")	Interest in controlled corporations (Note g)	13,174,683	87,750,000	100,924,683	7.92%
China Construction Bank Corporation ("CCB")	Interest in controlled corporations (Note g)	13,174,683	87,750,000	100,924,683	7.92%
CCB International Group Holdings Limited	Interest in controlled corporations (Note g)	13,174,683	87,750,000	100,924,683	7.92%
CCB Financial Holdings Limited	Interest in controlled corporations (Note g)	13,174,683	87,750,000	100,924,683	7.92%
CCB International (Holdings) Limited	Interest in controlled corporations (Note g)	13,174,683	87,750,000	100,924,683	7.92%
CCB Investment Limited	Interest in controlled corporations (Note g)	13,174,683	87,750,000	100,924,683	7.92%
Cheer Hope	Beneficial owner (Notes g & h)	13,174,683	87,750,000	100,924,683	7.92%

Notes:

(a) The issued share capital of PMGL, Max Start, Max Will and Keen Phoenix, are beneficially owned by Madam Hon Ching Fong as to 32.8%, 35%, 35% and 50% respectively.

(b) Ms. Shing Shing Wai is the spouse of Mr. Wong and the interests of each of Mr. Wong and Ms. Shing Shing Wai are deemed to be the interests of each other.

(c) The issued share capital of PMGL and Elite Force, are companies incorporated in the British Virgin Islands ("BVI") with limited liability which are beneficially owned by Capital Growth as to 67.2% and 100% respectively. Capital Growth is wholly and beneficially owned by Mr. Wong.

(d) On 26 October 2016, the Company, Full Right Asia Limited as purchaser, and PMIL as vendor entered into a sale and purchase agreement in respect of the acquisition of 25% issued share capital of Indonesia Conch for the consideration of HK$450,000,000. The consideration for the acquisition shall be satisfied by the Company in the following manner: (a) as to HK$100,000,000 of the consideration shall be satisfied by the convertible bonds to PMIL; and (b) as to HK$350,000,000 of the consideration shall be satisfied by the Company by way of the allotment and issue of the consideration shares to PMIL.

Pursuant to the terms and conditions of the amended sale and purchase agreement, assuming there would be no other issue of new shares and no repurchase of existing shares before completion of the amended sale and purchase agreement, 2,333,333,333 consideration shares will be issued and the convertible bonds in a principal amount of HK$100,000,000 carrying rights to convert 666,666,667 shares will be issued to PMIL.

As at 14 July 2017, the acquisition has been completed and a total of 2,333,333,333 consideration shares and the convertible bonds with the principal amount equal to HK$100,000,000 have been allotted and issued in accordance with the terms of the amended sale and purchase agreement. On 21 August 2017, the Company redeemed a principal amount of HK$50,000,000 convertible bonds which carrying rights to convert into 333,333,334 shares, and on 6 October 2017, the Company redeemed the remaining HK$50,000,000 convertible bonds which carrying rights to convert into 333,333,333 shares.

(e) PMIL is 95% owned by Super Chine and Super Chine is wholly owned by Keen Phoenix. Keen Phoenix is 50% beneficially owned by Mr. Wong.

(f) Mr. Wong is a director of each of PMGL, Elite Force, Keen Phoenix, Super Chine, PMIL and Capital Growth.

(g) These shares are held by Cheer Hope, an indirect wholly-owned subsidiary of CCB through several controlled corporations and CCB is a wholly-owned subsidiary of CHI. CHI, CCB and several controlled corporations are therefore deemed to be interested in the shares held by Cheer Hope.

(h) Cheer Hope owned CCB Convertible Bonds issued by the Company in an aggregate principal amount of US$20,000,000 (equivalent to approximately HK$156,000,000) carrying rights to convert into 975,000,000 shares at the conversion price of HK$0.16 per share, being adjusted on 31 December 2016 pursuant to the deed of amendment dated 29 June 2016 entered into between the Company, Cheer Hope and Mr. Wong in relation to amend certain terms and conditions of the subscription agreement dated 16 March 2016 entered into between the Company as issuer and Cheer Hope as subscriber in respect of the issue of the CCB Convertible Bonds and the CCB Notes ("CCB Subscription Agreement"), the CCB Convertible Bonds and the CCB Notes ("First Amendment Deed").

On 19 September 2018, the Company, Cheer Hope and Mr. Wong entered into an amendment deed (the "Second Amendment Deed"), whereby the parties agreed, among others, to extend the term of the CCB Convertible Bonds and the CCB Notes for one anniversary from 15 April 2018 and amend certain terms and conditions of the CCB Subscription Agreement, the CCB Convertible Bonds and the CCB Notes (the "Second Amendment"). As at the date of the Second Amendment Deed, the outstanding principal amounts of the CCB Convertible Bonds and the CCB Notes were approximately US$18 million (equivalent to approximately HK$140 million) and US$18 million (equivalent to approximately HK$140 million) respectively. Taking into account the Second Amendment and assuming the full conversion of the CCB Convertible Bonds at the conversion price of HK$0.16 per share, a total of approximately 877,500,000 shares would be allotted and issued, representing (1) approximately 6.88% of the existing issued share capital of the Company of 12,746,160,027 shares as at the date entered into the Second Amendment Deed, and (2) approximately 6.44% of the issued share capital of the Company of 13,623,660,027 shares as enlarged by 877,500,000 shares to be issued upon full conversion the CCB Convertible Bonds, assuming no further change in the share capital of the Company from the date entered into the Second Amendment Deed and up to the date of the allotment and issue of shares.

As a result of the share consolidation becoming effective on 25 February 2019, the conversion price of the outstanding CCB Convertible Bonds, being initially at HK$0.16 per pre-consolidated share (subject to adjustment), was adjusted in accordance with the terms and conditions of the CCB Convertible Bonds to HK$1.6 per consolidated share. Accordingly, the number of consolidated shares which may fall to be issued upon full conversion at the adjusted conversion price of HK$1.6 per consolidated share of the CCB Convertible Bonds immediately after the share consolidation becoming effective was 87,750,000 consolidated shares. The conversion rights of CCB Convertible Bonds owned by Cheer Hope lapsed on 15 April 2019.

Long positions in the shares/registered capital of the members of the Group:

Name of the member of the Group	Name of shareholder(s)	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
廣州富春東方地產投資有限公司 (Guangzhou Fuchun Dongfang Real Estate Investment Company Limited*, "Fuchun Dongfang")	廣東森島集團有限公司 (Guangdong Sendao Group Limited*, "Guangdong Sendao")	Beneficial owner	N/A	45.0%
WM Aalbrightt Investment Holdings (Hong Kong) Limited	WM Aalbrightt Investment Holdings Limited	Beneficial owner	40,000	40.0%
蘇州市嘉欣房地產開發有限公司 (Suzhou Jiaxin Real Estate Development Company Limited*)	Zhao Xiao Lang	Beneficial owner	N/A	34.2%
宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*)	欣捷投資控股集團有限公司 (Xin Jie Investment Holdings Group Co., Ltd.*)	Beneficial owner	N/A	30.0%
盱眙昌興置業有限公司 (Xuyi Changxing Property Co., Ltd.*)	昌盛電氣江蘇有限公司 (Changsheng Electric Jiangsu Co., Ltd.*)	Beneficial owner	N/A	30.0%
Xuyi Changxing Property Co., Ltd.	溧陽漢邦國際貿易有限公司 (Liyang Han Bang International Trading Ltd.*)	Beneficial owner	N/A	20.0%
First World Venture Resources Sdn. Bhd.	Lee Wai Yee	Beneficial owner	30	30.0%
東莞市敬培實業有限公司 (Dongguan Honwill Limited*)	東莞市丹新置業有限公司 (Dongguan City Danxin Property Company Limited*)	Beneficial owner	N/A	30.0%
Dongguan Honwill Limited	東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*)	Beneficial owner	N/A	36.0%
PT. Tritama Barata Makmur	PT. Mitra Reksa Pesona	Beneficial owner	11,250	25.0%

* For identification purpose only

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 March 2019, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at 31 March 2019, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

Connected Transactions

Certain related party transactions as disclosed in note 50 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transaction is the connected transaction between the connected persons (as defined in Rule 14A.06(7) of the Listing Rules) and the Company during the Year. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the following transactions:

1. Connected transactions with respect to the provision of financial assistance to a non-controlling shareholder and its subsidiary of Fuchun Dongfang.

On 30 August 2018 and 8 March 2019, Fuchun Dongfang, a 55%-owned subsidiary of Company, pledged certain units of Oriental Landmark, for the benefit of its non-controlling shareholder, Guangdong Sendao, as security for the bank facilities granted to Guangdong Sendao and its subsidiary, in the aggregate amount of approximately RMB737 million and HK$110 million (in aggregate, equivalent to approximately HK$969 million). As at 31 March 2019, the carrying amount of the pledged units of Oriental Landmark is approximately RMB995 million (equivalent to approximately HK$1,159 million).

Guangdong Sendao holds 45% of the equity interests of Fuchun Dongfang and thus is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. For details, please refer to the relevant announcements and circular of the Company.

Save as disclosed above, there is no other transaction that falls under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules.

Business Review

Details of business review during the Year are set out in section "Business Review" under "Management Discussion and Analysis" on pages 9 to 13 of this report.

Principal Risks and Uncertainties

As set out in the section headed "Foreign Exchange Exposure" under the "Management Discussion and Analysis" to this report, the Board identifies a risk of fluctuation in the foreign exchange rate between the US$ and RMB. The Group's trade in clinker and cement and its trade in iron ore and other raw materials are conducted predominantly in US$, while its granite mining and production business and property development business in the PRC are conducted in RMB. The fluctuation in foreign exchange posed a principal risk to the Group, and a loss of approximately HK$117 million has been recognised for the purpose of calculating the Group's other comprehensive income during the Year. Furthermore, there is another principal risk that the global economic slowdown may reduce the PRC's demand for iron ore imports.

The Directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The details are set out in subsections headed "Results and Financial Overview" and "Liquidity, Financial Resources and Capital Structure" on pages 7 to 8 and pages 18 to 19 of this report respectively. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through measures set out in subsection headed "Directors' Responsibilities for the Financial Statements" on pages 36 to 37 of this report.

Key Financial Performance Indicators

An analysis of the Group's financial performance in terms of key indicators are set out in the sections headed "Financial Review" and "Liquidity, Financial Resources and Capital Structure" under the "Management Discussion and Analysis" to this report.

Events After the Reporting Period

Details of the significant events occurring after the reporting period are set out in note 52 to the consolidated financial statements.

Plan for the Future

Although the Group has already shifted the focus of its business to property investment and development, it takes time for the move to yield significant enough results to offset the impact of the adverse conditions of the iron ore market on the Group's overall business performance. Moreover, the unfavourable external environment not only has posed challenges to the property business but also has made it more difficult to raise funds. Financing costs have increased significantly.

It is against this backdrop that the Group is trying to restore its financial health. To honour a large amount of its short-term financial obligations, it will seek to raise capital by continuing its sales efforts at its property projects, disposing of some assets such as equity interests in some of such projects or its other businesses, and trying to recover prepayments made and loans granted to other companies. The Group is also negotiating with its creditors for the extension of the maturity periods of its financial obligations. Meanwhile, it will tighten its control on operating costs.

The Group will explore more other means of increasing liquidity to meet its financial obligations while improving the operations of its existing businesses. For instance, we are now negotiating with a prospective investor about the latter's possible investment in the Group. We have signed a non-legally binding letter with that prospective investor over a plan for the shareholding restructuring and recapitalisation of the Group. All this is aimed at reinvigorating the Group.

Environmental Policies and Performance

The Group recognises that the adoption of environmental policies is essential to the corporate growth, and it is committed to promoting environmental consciousness at the work place. For instance, the Group places emphasis on paper saving and recycling initiatives. It aims to minimise its business's impact on the environment in the interests of future generations.

The Group's mining operations in Malaysia and Brazil use the open-pit mining method to simplify operations and reduce production costs. The Group produces iron ore products through a relatively low-cost process which includes ball-milling, magnetic separation and dewatering. The process is environmentally friendly as it does not require chemical additives and reduces the amount of waste water. The Group's mining operations in Guilin use all the odd bits of the mined granite to produce feldspar powder products which can be used as raw materials for glass and ceramics, thereby reducing the amount of waste to be dumped. This helps to protect the environment.

The management of all the mining operations periodically review and evaluate the whole production procedure, from exploitation, excavation to processing, with the aim of minimising the environmental impact.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Compliance with Laws and Regulations

As at 31 March 2019 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

Compliance with the Code on Corporate Governance Practices

A full corporate governance report is set out on pages 29 to 42 of this report.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

RSM Hong Kong will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong as auditor of the Company is to be proposed at the forthcoming annual general meeting.

There is no change in auditors of the Company since the first appointment on 15 May 2006.

ON BEHALF OF THE BOARD
WONG Ben Koon
Chairman

Hong Kong, 18 July 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

(Incorporated in the Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Prosperity International Holdings (H.K.) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 173, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Related to Going Concern

As described in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately HK$1,934,696,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,390,825,000. As at the same date, the Group's total borrowings amounted to approximately HK$2,233,576,000, of which current borrowings amounted to approximately HK$1,836,443,000, while its cash and cash equivalents amounted to approximately HK$219,613,000 only.

During the year ended 31 March 2019, the Group did not pay bond principal repayments of approximately HK$16,000,000 in accordance with the repayment schedules set out in the bond agreement. As a result of these non-payments, bonds with a carrying amount of approximately HK$142,000,000 (the "Default Bonds") at 31 March 2019 became immediately repayable and were classified as current liabilities, details of which are set out in note 44 to the consolidated financial statements. The directors are negotiating with the bondholders but no remedies in respect of the Default Bonds have been agreed with the bondholders up to the date of this report.

The non-payments on the Default Bonds constitute or have become events of default under the borrowing agreements of certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,133,822,000 (the "Cross-default Borrowings") as at 31 March 2019. As a consequence of the Cross-defaults, Cross-default Borrowings became immediately repayable and were classified as current liabilities, details of which are set out in notes 36, 42 and 44 to the consolidated financial statements. The directors are negotiating with lenders but no remedies in respect of the Cross-defaults have been agreed with the lenders up to the date of this report.

Furthermore, as at 31 March 2019, included in the Cross-default Borrowings are certain borrowings with carrying amounts of approximately HK$1,028,947,000, the Group did not meet certain financial ratios as set out in the covenants of these borrowing agreements, details of which are set out in notes 36, 42 and 44 to the consolidated financial statements. No waivers in respect of the breach of the financial covenants of these borrowings have been obtained from the lenders up to the date of this report.

Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$418,210,000 in accordance with the repayment schedules or repayment on demand clause set out in the borrowing agreements of certain Cross-default Borrowings, bank borrowings and other borrowings with carrying amounts of approximately HK$292,620,000, HK$150,527,000 and HK$119,860,000 as at 31 March 2019, details of which are set out in note 52(e) to the consolidated financial statements. Demand letters from legal representatives of property constructors and lenders for repayment of certain construction costs, Cross-default Borrowings, bank borrowings and other borrowings with amounts of approximately HK$608,949,000, HK$131,863,000, HK$154,603,000 and HK$106,625,000 respectively were received. Agreements with repayment schedules were entered into with the property constructors. Negotiations with lenders are underway but no extensions to the repayment dates of Cross-default Borrowings, bank borrowings and other borrowings have been obtained from the lenders up to the date of this report.

These events and conditions, together with other matters described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy certain delayed repayments to financial institutions, which are set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment for those borrowings that are scheduled for repayment (either based on the original agreements or the existing arrangements) within the next twelve months from the date of this report, including those principals and interests that are already overdue; (ii) additional new sources of financing as and when needed; (iii) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflows; (iv) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's property development projects such that no further actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis; and (v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms. Should the Group fail to achieve the above mentioned plans and measures, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Poh Weng.

RSM Hong Kong
Certified Public Accountants
Hong Kong
18 July 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	8	**2,330,968**	4,479,820
Cost of goods sold		**(2,285,881)**	(4,199,557)
Gross profit		**45,087**	280,263
Other income	9	**27,262**	49,382
Impairment losses for prepayments		**(350,403)**	–
Impairment losses for trade and bills receivables		**(20,364)**	–
Impairment losses for loan and other receivables		**(106,237)**	(25,243)
Selling and distribution costs		**(74,289)**	(96,522)
Administrative expenses		**(244,487)**	(221,664)
Depreciation		**(36,830)**	(149,017)
Other operating expenses		**(670,796)**	(665,684)
Loss from operations		**(1,431,057)**	(828,485)
Finance costs	11	**(242,888)**	(216,468)
Share of losses of associates		**(825)**	–
Share of loss of a joint venture		**(115)**	–
Gains on modification of terms of convertible bonds and guaranteed notes		**17,828**	–
Losses on early redemption of convertible bonds		**–**	(16,911)
Net loss on disposals of financial assets at fair value through profit or loss		**(5,008)**	(4,454)
Fair value losses on financial assets at fair value through profit or loss		**(216,448)**	(8,716)
Fair value gains on derivative financial instruments		**–**	62,896
Fair value (losses)/gains on investment properties	19	**(146,520)**	3,067
Loss before tax		**(2,025,033)**	(1,009,071)
Income tax credit	12	**90,337**	19,629
Loss for the year	13	**(1,934,696)**	(989,442)
Attributable to:			
Owners of the Company		**(1,829,401)**	(961,012)
Non-controlling interests		**(105,295)**	(28,430)
		(1,934,696)	(989,442)
			(Restated)
Loss per share			
— basic (HK cents)	17(a)	**(139.57)**	(77.72)
— diluted (HK cents)	17(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(1,934,696)**	(989,442)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income	**(172,494)**	–
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(116,899)**	282,778
Impairment loss on available-for-sale financial assets	**–**	33,327
Fair value gains on available-for-sale financial assets	**–**	69,419
	(116,899)	385,524
Other comprehensive income for the year, net of tax	**(289,393)**	385,524
Total comprehensive income for the year	**(2,224,089)**	(603,918)
Attributable to:		
Owners of the Company	**(2,048,479)**	(673,996)
Non-controlling interests	**(175,610)**	70,078
	(2,224,089)	(603,918)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	18	**260,681**	403,951
Investment properties	19	**2,023,712**	2,408,280
Other intangible assets	21	**558,678**	1,122,819
Investments in associates	22	**19,915**	–
Investment in a joint venture	23	**69,799**	–
Available-for-sale financial assets	24	**–**	356,000
Financial assets at fair value through profit or loss	26	**142,000**	–
Non-current prepayments	27	**–**	318,294
Deferred tax assets	39	**98,045**	98,893
		3,172,830	4,708,237
Current assets			
Inventories	28	**3,125,451**	2,783,101
Available-for-sale financial assets	24	**–**	434,746
Financial assets at fair value through profit or loss	26	**10,904**	92,569
Financial assets at fair value through other comprehensive income	25	**199,594**	–
Trade and bills receivables	29	**164,973**	194,003
Prepayments, deposits and other receivables	30	**504,760**	422,414
Current tax assets		**49**	60
Pledged deposits	31	**48,374**	355,617
Bank and cash balances	31	**219,613**	254,711
		4,273,718	4,537,221
Assets classified as held for sale	32	**108,018**	–
		4,381,736	4,537,221
TOTAL ASSETS		**7,554,566**	9,245,458

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	33	**127,431**	127,462
Reserves	35	**(240,349)**	1,836,691
Equity attributable to owners of the Company		**(112,918)**	1,964,153
Non-controlling interests		**1,009,856**	1,173,644
Total equity		**896,938**	3,137,797
Non-current liabilities			
Bank borrowings	36	**89,025**	573,948
Finance lease payables	37	**–**	14
Other loans and payables	38	**338,761**	327,098
Other borrowings	43	**30,063**	49,291
Bonds	44	**–**	126,000
Deferred tax liabilities	39	**427,218**	605,749
		885,067	1,682,100
Current liabilities			
Trade and bills payables	40	**816,196**	523,660
Other payables and deposits received	41	**2,581,305**	1,350,022
Current portion of bank borrowings	36	**1,030,760**	1,222,840
Other borrowings	43	**299,792**	320,183
Convertible bonds	42	**174,424**	176,827
Guaranteed notes	44	**145,954**	177,790
Current portion of bonds	44	**185,500**	72,000
Current portion of finance lease payables	37	**13**	255
Current tax liabilities		**538,617**	581,984
		5,772,561	4,425,561
Total liabilities		**6,657,628**	6,107,661
TOTAL EQUITY AND LIABILITIES		**7,554,566**	9,245,458
Net current (liabilities)/assets		**(1,390,825)**	111,660
Total assets less current liabilities		**1,782,005**	4,819,897

Approved by the Board of Directors on 18 July 2019 and are signed on its behalf by:

Wong Ben Koon	**Gloria Wong**
Chairman and Executive Director	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Foreign Currency Translation reserve HK$'000	Contributed surplus HK$'000	Merger reserve HK$'000	Share-based Payment reserve HK$'000	Investment reserve HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017	101,956	1,997,521	–	(217,629)	886,979	(12,880)	12,600	191,313	2,019	–	5,240	(626,276)	2,340,843	1,020,958	3,361,801
Total comprehensive income for the year	–	–	–	184,270	–	–	–	102,746	–	–	–	(961,012)	(673,996)	70,078	(603,918)
Transfer of reserve upon lapse of share options	–	–	–	–	–	–	(513)	–	–	–	–	513	–	–	–
Issue of new shares upon share placements (note 33(b))	2,273	22,727	–	–	–	–	–	–	–	–	–	–	25,000	–	25,000
Acquisition of available-for-sale financial assets (note 33(c))	23,334	240,333	–	–	–	–	–	–	–	9,546	–	–	273,213	–	273,213
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	82,608	82,608
Purchase of treasury shares (note 33(d))	–	–	(907)	–	–	–	–	–	–	–	–	–	(907)	–	(907)
Cancellation of treasury shares (note 33(d))	(101)	(806)	907	–	–	–	–	–	–	–	–	–	–	–	–
Appropriation to statutory reserve	–	–	–	–	–	–	–	–	–	–	32	(32)	–	–	–
Redemption of convertible bonds	–	–	–	–	–	–	–	–	–	(9,546)	–	9,546	–	–	–
Changes in equity for the year	25,506	262,254	–	184,270	–	–	(513)	102,746	–	–	32	(950,985)	(376,690)	152,686	(224,004)
At 31 March 2018	127,462	2,259,775	–	(33,359)	886,979	(12,880)	12,087	294,059	2,019	–	5,272	(1,577,261)	1,964,153	1,173,644	3,137,797

	Attributable to owners of the Company															
	Share capital HK$'000	**Share premium HK$'000**	**Treasury shares HK$'000**	**Foreign Currency Translation reserve HK$'000**	**Contributed surplus HK$'000**	**Merger reserve HK$'000**	**Share-based Payment reserve HK$'000**	**Investment reserve HK$'000**	**FVTOCI reserve HK$'000**	**Capital reserve HK$'000**	**Convertible bonds reserve HK$'000**	**Other reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 1 April 2018	**127,462**	**2,259,775**	**-**	**(33,359)**	**886,979**	**(12,880)**	**12,087**	**294,059**	**-**	**2,019**	**-**	**5,272**	**(1,577,261)**	**1,964,153**	**1,173,644**	**3,137,797**
Adjustment on initial application of HKFRS 9 (note 3)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(294,059)**	**292,784**	**-**	**-**	**-**	**(29,832)**	**(31,107)**	**(18,620)**	**(49,727)**
Restated balance at 1 April 2018	**127,462**	**2,259,775**	**-**	**(33,359)**	**886,979**	**(12,880)**	**12,087**	**-**	**292,784**	**2,019**	**-**	**5,272**	**(1,607,093)**	**1,933,046**	**1,155,024**	**3,088,070**
Total comprehensive income for the year	**-**	**-**	**-**	**(46,584)**	**-**	**-**	**-**	**-**	**(172,494)**	**-**	**-**	**-**	**(1,829,401)**	**(2,048,479)**	**(175,610)**	**(2,224,089)**
Transfer of reserve upon lapse of share options	**-**	**-**	**-**	**-**	**-**	**-**	**(3,078)**	**-**	**-**	**-**	**-**	**-**	**3,078**	**-**	**-**	**-**
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income to accumulated losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,573)**	**-**	**-**	**-**	**9,573**	**-**	**-**	**-**
Issue of convertible bonds (note 42)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,633**	**-**	**-**	**2,633**	**-**	**2,633**
Change in ownership interest in a subsidiary without loss of control	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,442**	**30,442**
Purchase of treasury shares (note 33(d))	**-**	**-**	**(118)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(118)**	**-**	**(118)**
Cancellation of treasury shares (note 33(d))	**(31)**	**(87)**	**118**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in equity for the year	**(31)**	**(87)**	**-**	**(46,584)**	**-**	**-**	**(3,078)**	**-**	**(182,067)**	**-**	**2,633**	**-**	**(1,816,750)**	**(2,045,964)**	**(145,168)**	**(2,191,132)**
At 31 March 2019	**127,431**	**2,259,688**	**-**	**(79,943)**	**886,979**	**(12,880)**	**9,009**	**-**	**110,717**	**2,019**	**2,633**	**5,272**	**(3,423,843)**	**(112,918)**	**1,009,856**	**896,938**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,025,033)**	(1,009,071)
Adjustments for:			
Finance costs	11	**242,888**	216,468
Interest income	9	**(5,724)**	(16,737)
Dividend income	9	**(1,794)**	(2,344)
Depreciation		**36,830**	149,017
Impairment loss on available-for-sale financial assets	13	**–**	33,327
Impairment loss on property, plant and equipment	18	**111,537**	144,550
Impairment loss on other intangible assets	21	**559,259**	487,807
Impairment losses for prepayments		**350,403**	–
Impairment losses for trade and bill receivables		**20,364**	–
Impairment losses for loan and other receivables		**106,237**	25,243
Allowance for inventories	13	**10,426**	18,187
Bad debts	13	**2,804**	298
Gains on modification of terms of convertible bonds and guaranteed notes		**(17,828)**	–
Losses on early redemption of convertible bonds		**–**	16,911
Losses on disposals of property, plant and equipment	13	**532**	239
Net losses on disposals of financial assets at fair value through profit or loss		**5,008**	4,454
Fair value losses on financial assets at fair value through profit or loss		**216,448**	8,716
Fair value gains on derivative financial instruments		**–**	(62,896)
Fair value (losses)/gains on investment properties	19	**146,520**	(3,067)
Share of losses of associates		**825**	–
Share of loss a joint venture		**115**	–
Operating (loss)/profit before working capital changes		**(240,183)**	11,102
(Increase)/decrease in inventories		**(405,986)**	234,127
(Increase)/decrease in trade and bills receivables		**(26,188)**	333,097
(Increase)/decrease in prepayments, deposits and other receivables		**(238,368)**	243,382
Increase/(decrease) in trade and bills payables		**292,536**	(217,693)
Increase/(decrease) in other payables and deposits received		**1,125,478**	(215,491)
Cash generated from operating activities		**507,289**	388,524
Income tax paid		**(115,440)**	(64,744)
Net cash generated from operating activities		**391,849**	323,780

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged deposits and time deposits		**307,243**	(292,939)
Interest received		**5,724**	16,737
Dividend received		**1,794**	2,344
Purchases of property, plant and equipment	18	**(14,209)**	(104,721)
Additions of investment properties	19	**(105)**	–
Acquisition of financial assets at fair value through profit or loss		**(11,081)**	(16,273)
Acquisition of subsidiaries		**–**	(189,236)
Proceeds from disposal of financial assets at fair value through profit or loss		**10,139**	17,201
Proceeds from disposal of financial assets at fair value through other comprehensive income		**115,000**	–
Proceeds from disposals of property, plant and equipment		**463**	434
Capital contributions to associates		**(20,740)**	–
Capital contribution to a joint venture		**(69,914)**	–
Net cash generated from/(used in) investing activities		**324,314**	(566,453)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**723,594**	2,656,951
Other borrowings raised		**491,016**	84,535
Proceeds from issue of shares upon share placements		**–**	25,000
Proceeds from issue of convertible bonds		**30,000**	–
Proceeds from issue of bonds		**8,500**	126,000
Capital contribution from non-controlling interests		**30,442**	–
Purchases of treasury shares	33	**(118)**	(907)
Repayment of bank loans		**(1,436,129)**	(2,683,419)
Repayment of other borrowings		**(524,830)**	(22,000)
Repayment of finance lease payables		**(256)**	(880)
Repayment of convertible bonds	42	**(45,989)**	(9,117)
Repayment of guaranteed notes		**(42,029)**	(7,866)
Repayment of bonds		**(21,000)**	–
Interests paid		**(165,757)**	(139,849)
Net cash (used in)/generated from financing activities		**(952,556)**	28,448
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(236,393)**	(214,225)
Effect of foreign exchange rate changes		**160,620**	61,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**253,980**	406,563
CASH AND CASH EQUIVALENTS AT END OF YEAR		**178,207**	253,980
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**219,613**	254,711
Bank overdraft	36	**(41,406)**	(731)
		178,207	253,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. General Information

Prosperity International Holdings (H.K.) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Suites 1801–6, 18th Floor, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 51 to these consolidated financial statements.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Going Concern Basis

The Group incurred a net loss of approximately HK$1,934,696,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,390,825,000. As at the same date, the Group's total borrowings amounted to approximately HK$2,233,576,000, of which current borrowings amounted to approximately HK$1,836,443,000, while its cash and cash equivalents amounted to approximately HK$219,613,000 only.

During the year ended 31 March 2019, the Group did not pay bond principal repayments of approximately HK$16,000,000 in accordance with the repayment schedules set out in the bond agreement. As a result of these non-payments, bonds with a carrying amount of approximately HK$142,000,000 (the "Default Bonds") at 31 March 2019 became immediately repayable and were classified as current liabilities, details of which are set out in note 44 to the consolidated financial statements. The directors are negotiating with bondholders but no remedies in respect of the Default Bonds have been agreed with the bondholders up to the date of this report.

The non-payments on the Default Bonds constitute or have become events of default under the borrowing agreements of certain borrowings (the "Cross-defaults") with carrying amount of approximately HK$1,133,822,000 (the "Cross-default Borrowings") as at 31 March 2019. As a consequence of the Cross-defaults, Cross-default Borrowings became immediately repayable and were classified as current liabilities, details of which are set out in notes 36, 42 and 44 to the consolidated financial statements. The directors are negotiating with the lenders but no remedies in respect of the Cross-defaults have been agreed with the lenders up to the date of this report.

2. Basis of Preparation *(Continued)*

Going Concern Basis *(Continued)*

Furthermore, as at 31 March 2019, included in the Cross-default Borrowings are certain borrowings with carrying amounts of approximately HK$1,028,947,000, the Group did not meet certain financial ratios as set out in these covenants of the borrowing agreements, details of which are set out in notes 36, 42 and 44 to the consolidated financial statements. No waivers in respect of the breach of the financial covenants of these borrowings have been obtained from the lenders up to the date of this report.

Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$418,210,000 in accordance with the repayment schedules or repayment on demand clause set out in the borrowing agreements of certain Cross-default Borrowings, bank borrowings and other borrowings with carrying amounts of approximately HK$292,620,000, HK$150,527,000 and HK$119,860,000 as at 31 March 2019, details of which are set out in note 52(e) to the consolidated financial statements. Demand letters from legal representatives of property constructors and lenders for repayment of certain construction costs, Cross-default Borrowings, bank borrowings and other borrowings with amounts of approximately HK$608,949,000, HK$131,863,000, HK$154,603,000 and HK$106,625,000 respectively were received. Agreements with repayment schedules were entered into with the property constructors. Negotiations with lenders are underway but no extensions to the repayment dates of Cross-default Borrowings, bank borrowings and other borrowings have been obtained from the lenders up to the date of this report.

The Group is in active negotiation with all of the above lenders for renewal and extension of the principals and interest that remain overdue as at date of this report, as well as the waiver of financial covenants (if any), and the directors are confident that the lenders of the borrowings (including those Cross-default Borrowings) in respect of which there were delay in principal and interest repayments will not enforce their rights of requesting for immediate repayment and agreements will be reached in due course. Up to the date of this report, no lender has taken further legal actions to recover its loan.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have, during the year and up to the date of the approval of these consolidated financial statements, taken the following measures to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations:

(a) negotiating with the institutions and/or persons providing finance to extend the maturity dates of the Group's financial obligations;

(b) raising of additional capital from the public market. Subsequent to the end of the reporting period and up to the date of approval of these consolidated financial statements, the Company raised additional capital of approximately HK$6,300,000 through a rights issue, details of which are set out in note 52(d) to the consolidated financial statements;

(c) accelerating the pre-sales and sales of properties under development and completed properties;

(d) implementing measures to speed up the collection of outstanding sales proceeds;

2. Basis of Preparation *(Continued)*

Going Concern Basis *(Continued)*

(e) disposal of investment properties for a consideration of approximately HK$108,000,000; of which the whole proceeds were used for settlement of bank borrowings of approximately HK$103,740,000;

(f) successful completion of the restructuring plan to inject cash and income-generating assets, details of which are set out in note 52(f) to the consolidated financial statements; and

(g) the directors of the Company have been taking various cost control measures to tighten the costs of operations.

Notwithstanding the above, the directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through the following:

(a) the successful negotiations with the lenders for the renewal of or extension for repayment for those borrowings that are scheduled for repayment (either based on the original agreements or the existing arrangements) within the next twelve months from the date of this report, including those principals and interests that are already overdue;

(b) the successful obtaining of additional new sources of financing as and when needed;

(c) successfully accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflows;

(d) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's property development projects such that no further actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(e) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms.

Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in these consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for financial year beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) *Classification*

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(b) Measurement

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised and disclosed separately in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening accumulated losses as at 1 April 2018 is as follows:

	Note	HK$'000
Reclassification of available-for-sale financial assets to financial assets at FVTPL, net of tax	(b)	1,275
Increase in impairment losses for:		
— Trade and bills receivables	(c)	(32,050)
— Loan and other receivables	(d)	(17,677)
Adjustment to accumulated losses from adoption of HKFRS 9 on 1 April 2018		(48,452)
Attributable to:		
Owners of the Company		(29,832)
Non-controlling interests		(18,620)
		(48,452)

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

Financial assets	Note	Classifications under HKAS 39	Classifications under HKFRS 9	Carrying amounts under HKAS 39 HK$'000	Carrying amounts under HKFRS 9 HK$'000
Equity investments	(a)	Available-for-sale	FVTOCI	394,897	394,897
Equity investments	(b)	Available-for-sale	FVTPL	395,849	395,849
Equity investments		FVTPL	FVTPL	17,601	17,601
Derivative financial assets		FVTPL	FVTPL	74,968	74,968
Trade and bills receivables	(c)	Loans and receivables	Amortised cost	194,003	161,953
Loan and other receivables	(d)	Loans and receivables	Amortised cost	247,134	229,457

The impact of these changes on the Group's equity is as follows:

	Note	Effect on investment reserve HK$'000	Effect on FVTOCI reserve HK$'000	Effect on accumulated losses HK$'000	Effect on non-controlling interests HK$'000
Opening balance — HKAS 39		294,059	–	(1,577,261)	1,173,644
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI	(a)	(292,784)	292,784	–	–
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTPL	(b)	(1,275)	–	1,275	–
Increase in impairment losses for trade and bills receivables	(c)	–	–	(18,179)	(13,871)
Increase in impairment losses for loan and other receivables	(d)	–	–	(12,928)	(4,749)
Total impact		(294,059)	292,784	(29,832)	(18,620)
Opening balance — HKFRS 9		–	292,784	(1,607,093)	1,155,024

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 April 2018 results in an additional impairment allowance as follows:

	Note	**Trade and bills receivables** HK$'000	**Loan and other receivables** HK$'000
Impairment allowance at 31 March 2018 under HKAS 39		4,957	195,660
Additional allowance for impairment recognised at 1 April 2018 on balances as at 31 March 2018	(c), (d)	32,050	17,677
Impairment allowance at 1 April 2018 under HKFRS 9		37,007	213,337

Notes:

(a) These equity investments represent investments that the Group intends to hold for long term strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, assets with a fair value of approximately HK$394,897,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and accumulated fair value gains of approximately HK$292,784,000 were reclassified from the investment reserve to the FVTOCI reserve on 1 April 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Under HKFRS 9, equity investments are generally measured at FVTPL. As a result, assets with a fair value of approximately HK$395,849,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL and fair value gains of HK$1,275,000 were reclassified from the investment reserve to accumulated losses on 1 April 2018.

(c) Trade and bills receivables that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of approximately HK$32,050,000 in the allowance for impairment of these receivables was recognised in opening accumulated losses and non-controlling interests, in aggregate, at 1 April 2018 on transition to HKFRS 9.

(d) Loan and other receivables that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of HK$17,677,000 in the allowance for impairment of these receivables was recognised in opening accumulated losses and non-controlling interests, in aggregate, at 1 April 2018 on transition to HKFRS 9.

Impairment losses related to trade and bills receivables and loan and other receivables are presented separately in the consolidated statement of profit or loss. As a result, the Group reclassified impairment losses amounting to approximately HK$25,243,000, recognised under HKAS 39, from "Other operating expenses" to "Impairment losses for loan and other receivables" in the consolidated statement of profit or loss for the year ended 31 March 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 April 2018.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group trades iron ore and raw materials, clinker, cement and other building materials. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into the consideration of relevant terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives an upfront payment for different properties from customers for the sale of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier. Such advance payment schemes result in contract liabilities being recognised throughout the construction period for the full amount of the contract price. In assessing whether such advance payment schemes include a significant financing component, the Group has considered the length of time between the payment date and the completion date of legal assignment based on typical arrangements entered into with customers. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers. For other contracts where such advance payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. Such adjustment will result in interest expense being accrued by the Group to reflect the effect of the financing benefits obtained from the customers during the period between the payment date and the completion date of legal assignment or the date when the properties is accepted by the customer, with a corresponding increase in revenue recognised from the sale of properties when control of the completed property is transferred to the customer.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 15 Revenue from contracts with customers *(Continued)*

The adoption of HKFRS 15 has had no significant impact on the opening accumulated losses as at 1 April 2018. No interest was adjusted for the effects of financing component as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

For the year ended 31 March 2019, the effect of financing component in relation to the consideration received from customers in advance for the sale of properties of approximately HK$85,105,000 was adjusted to receipts in advance, and the corresponding amount of finance costs was capitalised and recorded in properties for sale under development.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from rental income.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that interim financial report.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(b) New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's land costs payable for the properties under development for sale, office premises and staff quarters are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 49(a), the Group's future minimum lease payments under non-cancellable operating leases for its land costs payable for the properties under development for sale, office premises and staff quarters amounted to HK$26,491,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. Significant Accounting Policies *(Continued)*

(a) Consolidation *(Continued)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. Significant Accounting Policies *(Continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Significant Accounting Policies *(Continued)*

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Significant Accounting Policies *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Significant Accounting Policies *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases), held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4%
Furniture and fixtures	20% to 33%
Leasehold improvements	10%
Mining infrastructure	5%
Motor vehicles	10% to 50%
Office equipment	20% to 33%
Plant and machinery	10% to 25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(h) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised from the date when the mining activities commence and based on the unit of production method.

4. Significant Accounting Policies *(Continued)*

(k) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4(ff) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(l) Properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs of land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the FVTOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the FVTOCI reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

Policy prior to 1 April 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment reserve (recycling). Dividend income from equity investments was recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

4. Significant Accounting Policies *(Continued)*

(q) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

(r) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(t) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

— the amount determined in accordance with the ECL model under HKFRS 9; and

— the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4. Significant Accounting Policies *(Continued)*

(u) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at fair value through profit or loss until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

(v) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(w) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(x) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host — with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

4. Significant Accounting Policies *(Continued)*

(x) Derivative financial instruments *(Continued)*

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

(y) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue arising from the sale of properties held for sale is recognised on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of the property. Deposits and instalments received on properties sold prior to meeting the above criteria for revenue recognition are recognised as receipts in advance.

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rental income is recognised on a straight-line basis over the lease term.

Agency income, commission and despatch income is recognised on an accrual basis.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. Significant Accounting Policies *(Continued)*

(y) Revenue recognition *(Continued)*

Policy prior to 1 April 2018

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Rental income is recognised on a straight-line basis over the lease term.

Agency income, commission and despatch income is recognised on an accrual basis.

Interest income is recognised on a time-proportion basis using the effective interest method.

(z) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(aa) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

4. Significant Accounting Policies *(Continued)*

(bb) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(cc) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. Significant Accounting Policies *(Continued)*

(cc) Taxation *(Continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(dd) People's Republic of China ("PRC") land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

(ee) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ff) Impairment of financial assets

The Group recognises a loss allowance for ECL on lease receivables, trade and bills receivables and loan and other receivables, as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

4. Significant Accounting Policies *(Continued)*

(ff) Impairment of financial assets *(Continued)*

The Group always recognises lifetime ECL for trade and bills receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. Significant Accounting Policies *(Continued)*

(ff) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. Significant Accounting Policies *(Continued)*

(ff) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

4. Significant Accounting Policies *(Continued)*

(ff) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL *(Continued)*

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy prior to 1 April 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment reserve; impairment losses are not reversed through profit or loss.

4. Significant Accounting Policies *(Continued)*

(gg) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(hh) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in these consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2 to the consolidated financial statements.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through use.

(c) Classification of investment as financial assets at FVTPL of more than 20% equity interest

Although the Group holds more than 20% of the equity interests of PT Conch Cement Indonesia ("Indonesia Conch"), the directors considered that the Group does not have significant influence over Indonesia Conch because the Group is not able to appoint any director of Indonesia Conch, nor participate in the financial and operating policy decisions of Indonesia Conch.

5. Critical Judgements and Key Estimates *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

(d) Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of non-financial assets

As set out in note 4(ee), if circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 Impairment of Assets. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and the value in use.

It is difficult to precisely estimate market value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

During the year ended 31 March 2019, impairment losses of approximately HK$111,537,000 and HK$559,259,000 (2018: HK$144,550,000 and HK$487,807,000) were recognised for the property, plant and equipment and other intangible assets, respectively. Details of calculations of recoverable amounts are set out in note 21 to these consolidated financial statements.

(b) Mine reserves and impairment of mining rights

Mine reserves are estimates of the quantity of product that can be economically and legally extracted from the mining site. In order to calculate the mine reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Should there be any change in economic assumptions and geological data that used to estimate mine reserves, impairment losses on the mining rights may arise.

The carrying amount of mining rights as at 31 March 2019 was approximately HK$558,678,000 (2018: HK$1,122,819,000).

5. Critical Judgements and Key Estimates *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 March 2019 was approximately HK$2,023,712,000 (2018: HK$2,408,280,000).

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income tax and deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately HK$90,337,000 (2018: HK$19,629,000) was credited to profit or loss based on the estimated profit from operations.

(e) Net realisable value of properties under development for sale

The Group's properties under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion, and the costs to be incurred in selling the properties based on prevailing market conditions. The Group also appointed an independent professional valuer to assess the net realisable value of the properties under development for sales. If there is an increase in costs of completion or a decrease in net sales value, provision of properties under development for sale may be resulted. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

During the year, allowance for properties under development for sale of approximately HK$21,641,000 (2018: HK$Nil) was made and included in allowance for inventories.

5. Critical Judgements and Key Estimates *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Impairment of trade and other receivables

Prior to the adoption of HKFRS 9 on 1 April 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and other receivables, including the current creditworthiness and the past collection history of each customer/debtor. If the financial conditions of customers/debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 March 2018, the carrying amount of trade and bills receivables and loan and other receivables were approximately HK$194,003,000 (net of allowance for doubtful debts of HK$4,957,000) and HK$247,134,000 (net of allowance for doubtful debts of HK$195,660,000) respectively.

Since the adoption of HKFRS 9 on 1 April 2018, the management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables and loan and other receivables based on the credit risk of these assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2019, the carrying amount of trade and bills receivables and loans and other receivables are HK$164,973,000 (net of allowance for doubtful debts of HK$57,371,000) and HK$275,487,000 (net of allowance for doubtful debts of HK$319,574,000) respectively.

(g) Allowance for inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgements and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

During the year, allowance for inventories of approximately HK$10,426,000 (2018: HK$18,187,000) was made.

5. Critical Judgements and Key Estimates *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(h) Fair value of investments

In the absence of quoted market prices in an active market, the fair values of the Group's investments in certain unlisted equity securities at the end of the reporting period, details of which are set out in note 26 to these consolidated financial statements, were determined using different valuation techniques, including market comparable approach, asset-based approach and income capitalisation approach, individually or in combination, depending on the circumstances. The Group appointed independent professional valuers to assess the fair values of these investments. Application of these approaches requires the Group to estimate the prominent factors affecting the fair values, including but not limited to, discount rates, growth rates, budgeted gross margin and revenue, price book multiple of similar companies in the market, latest published financial information as well as discount for lack of marketability of the investments.

The carrying amounts of these investments as at 31 March 2019 was approximately HK$142,000,000 (2018: HK$395,849,000).

(i) Environmental contingencies

Up to the report date, the Group has not incurred any significant expenditure for environment remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The governments of the countries of which the Group operates, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines' production plants whether operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities, such as United States dollars ("US$") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

	Functional currency strengthened/ (weakened) by	**Decrease/(increase) in consolidated loss after tax HK$'000**
Year ended 31 March 2019		
US$	**2%/(2%)**	**2,431/(2,431)(i)**
RMB	**2%/(2%)**	**(16)/16(ii)**

	Functional currency strengthened/ (weakened) by	(Increase)/decrease in consolidated loss after tax HK$'000
Year ended 31 March 2018		
US$	2%/(2%)	4,786/(4,786)(i)
RMB	2%/(2%)	168/(168)(ii)

(i) This is mainly a result of the foreign exchange gain/(loss) on trade and bills receivables, deposits and other receivables, bank and cash balances, trade and bills payables, bank borrowings and other payables denominated in US$.

(ii) This is mainly a result of the foreign exchange gain/(loss) on trade and bills receivables, deposits and other receivables, bank and cash balances and other payables denominated in RMB.

6. Financial Risk Management *(Continued)*

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had increased/decreased by 10% (2018: 10%) with all other variables held constant:

- consolidated loss after tax for the year ended 31 March 2019 would be approximately HK$1,090,000 (2018: HK$1,760,000) lower/higher respectively, arising as a result of the fair value gain/loss on the held for trading financial assets at FVTPL; and

- other comprehensive income for the year ended 31 March 2019 would be approximately HK$19,959,000 lower/higher (2018: HK$43,474,000 higher/lower) respectively, arising as a result of the fair value gain/loss of financial assets at FVTOCI (2018: available-for-sale financial assets).

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group's exposure to credit risk arising from listed equity securities is limited because the counterparties are well-established securities brokers firms, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in note 47, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 47.

As at 31 March 2019, the three largest trade receivables represent approximately 94% (2018: 76%) of the total trade and bills receivables. The Group was exposed to the concentration of credit risk. In order to minimise the credit risk, the Group maintains various credit policies for business operations as described in note 29 to these consolidated financial statements.

6. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 0 to 90 days from the date of billing.

Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	HK$'000	HK$'000
Current (not past due)	0.27%	165,427	454
1 to 90 days past due	–	–	–
91 to 180 days past due	–	–	–
Over 180 days past due	100.00%	56,917	56,917
		222,344	57,371

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

Prior to 1 April 2018

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, trade receivables of approximately HK$4,957,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2018 HK$'000
Neither past due nor impaired	39,910
1 to 90 days past due	10,254
91 to 180 days past due	55,994
Over 180 days past due	87,845
	194,003

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	HK$'000
At 1 April 2017	**4,280**
Exchange differences	**677**
At 31 March 2018 under HKAS 39	**4,957**
Impact on initial application of HKFRS 9 (note 3)	**32,050**
Adjusted balance at 1 April 2018	**37,007**
Impairment losses recognised for the year	**20,364**
At 31 March 2019	**57,371**

6. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

Prior to 1 April 2018 *(Continued)*

The significant increase in the gross carrying amounts of trade receivables past due over 180 days contributed to the increase in the loss allowance of approximately HK$20,364,000 during 2019.

Other financial assets at amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The other financial assets are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost include deposits, loan and other receivables.

The loss allowance for other financial assets at amortised cost as at 31 March 2018 reconciles to the opening loss allowance on 1 April 2018 and to the closing allowance as at 31 March 2019 as follows:

	Deposits	**Other receivables**	**Loan receivables**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2018 under HKAS 39	6,161	27,942	161,557	195,660
Impact on initial application of HKFRS 9 (note 3)	32	988	16,657	17,677
Adjusted balance at 1 April 2018	6,193	28,930	178,214	213,337
Impairment losses recognised for the year	–	93,160	13,077	106,237
At 31 March 2019	6,193	122,090	191,291	319,574

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

For borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

6. Financial Risk Management *(Continued)*

(d) Liquidity risk *(Continued)*

Borrowings which are already defaulted and/or failed to meet the financial covenants as at 31 March 2019 are included in the on demand or within 1 year time band in the maturity analysis below. The directors believe that the Group would be able to negotiate with the lenders for the renewal of or extension for repayment for all these borrowings.

The maturity analyses based on contractual undiscounted cashflows of the Group's non-derivative financial liabilities are as follows:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2019			
Bank borrowings subject to a repayment on demand clause	**185,408**	**–**	**–**
Other bank borrowings	**869,753**	**36,273**	**61,790**
Other borrowings	**312,530**	**21,189**	**9,578**
Trade and bills payables	**816,196**	**–**	**–**
Other payables	**929,023**	**–**	**–**
Financial guarantees	**1,185,436**	**–**	**–**
Other loans and payables	**58,706**	**293,605**	**–**
Convertible bonds	**179,393**	**–**	**–**
Guaranteed notes	**147,736**	**–**	**–**
Bonds	**185,500**	**–**	**–**
Finance lease payables	**13**	**–**	**–**
At 31 March 2018			
Bank borrowings subject to a repayment on demand clause	284,856	–	–
Other bank borrowings	988,205	554,462	37,054
Other borrowings	329,949	50,598	–
Trade and bills payables	523,660	–	–
Other payables	707,085	–	–
Financial guarantees	1,239,355	–	–
Other loans and payables	–	354,339	–
Convertible bonds	179,478	–	–
Guaranteed notes	179,478	–	–
Bonds	84,394	127,760	–
Finance lease payables	286	14	–

6. Financial Risk Management *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity analysis of the bank borrowings and bonds subject to a repayment on demand clause, based on agreed scheduled repayments set out in the loan agreements and deed poll are as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2019			
Bank borrowings	**77,676**	**7,344**	**123,516**
Bonds	**146,595**	**2,835**	**46,058**
At 31 March 2018			
Bank borrowings	146,380	85,177	78,844

(e) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits and bank borrowings. The bank deposits and bank borrowings of approximately HK$248,849,000 (2018: HK$576,914,000) and HK$920,472,000 (2018: HK$1,638,609,000) respectively bear interests at variable rates varied with the then prevailing market condition and therefore are subject to cash flow interest rate risk.

	Increase/(decrease) in basis point	Decrease/(increase) in consolidated loss after tax HK$'000
Year ended 31 March 2019		
Bank deposits	**10/(10)**	**249/(249)(i)**
Bank borrowings	**100/(100)**	**(9,060)/9,060(ii)**

	Increase/(decrease) in basis point	(Increase)/decrease in consolidated loss after tax HK$'000
Year ended 31 March 2018		
Bank deposits	10/(10)	577/(577)(i)
Bank borrowings	100/(100)	(16,018)/16,018(ii)

(i) This is mainly a result of the increase/(decrease) in interest income on bank balances.

(ii) This is mainly a result of the (increase)/decrease in interest expenses on bank borrowings.

6. Financial Risk Management *(Continued)*

(f) Categories of financial instruments as at 31 March

	2019	2018
	HK$'000	HK$'000
Financial assets:		
Available-for-sale financial assets	**–**	790,746
Financial assets at FVTPL		
— derivative financial assets	**–**	74,968
— held for trading	**10,904**	17,601
— mandatorily measured at FVTPL	**142,000**	–
Financial assets measured at amortised cost	**733,955**	–
Financial assets measured at FVTOCI		
— equity instruments	**199,594**	–
Loans and receivables (including cash and cash equivalents)	**–**	1,051,462
Financial liabilities:		
Financial liabilities measured at amortised cost	**3,920,436**	4,276,222

(g) Fair values

Except as disclosed in note 42 to these consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. Fair Value Measurements *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 March

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	10,904	–	–	10,904
Unlisted equity security	–	–	142,000	142,000
	10,904	–	142,000	152,904
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	194,522	–	–	194,522
Equity securities listed outside Hong Kong	5,072	–	–	5,072
	199,594	–	–	199,594
Investment properties				
Commercial — Hong Kong	–	–	18,300	18,300
Commercial — PRC	–	–	2,005,412	2,005,412
	–	–	2,023,712	2,023,712
	210,498	–	2,165,712	2,376,210
Non-recurring fair value measurements:				
Non-current assets held for sale				
Investment properties				
Commercial — PRC	–	–	108,018	108,018

7. Fair Value Measurements *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 March *(Continued)*

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2018 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	–	–	74,968	74,968
Held for trading	17,601	–	–	17,601
	17,601	–	74,968	92,569
Available-for-sale financial assets				
Equity securities listed in Hong Kong	370,785	–	–	370,785
Equity securities listed outside Hong Kong	14,081	–	–	14,081
Unlisted equity securities	–	10,031	395,849	405,880
	384,866	10,031	395,849	790,746
Investment properties				
Commercial — Hong Kong	–	–	18,200	18,200
Commercial — PRC	–	–	2,390,080	2,390,080
	–	–	2,408,280	2,408,280
	402,467	10,031	2,879,097	3,291,595

In accordance with HKFRS, investment properties with a carrying amount of approximately HK$227,882,000 reclassified as non-current assets held for sale was written down to its fair value of approximately HK$108,018,000, resulting in a loss of approximately HK$119,864,000, which was included in profit or loss for the year ended 31 March 2019.

During the two years, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

7. Fair Value Measurements *(Continued)*

(b) Reconciliation of assets and liabilities measured at fair value based on level 3

Description	**Financial assets at FVTPL-derivative financial assets 2019 HK$'000**	**Financial assets at FVTPL-unlisted equity securities 2019 HK$'000**
At beginning of year	**74,968**	**395,849**
Settlement	**(74,968)**	**(39,849)**
Total losses recognised in profit or loss	**–**	**(214,000)**
At end of year	**–**	**142,000**

Description	Financial assets at FVTPL-derivative financial assets 2018 HK$'000	Available-for-sale financial assets-unlisted equity securities 2018 HK$'000
At beginning of year	19,360	73,176
Acquisition	–	354,725
Total gains/(losses) recognised:		
— in profit or loss	55,608	(33,327)
— in other comprehensive income	–	1,275
At end of year	74,968	395,849

The total gains/(losses) recognised in profit or loss for financial assets at FVTPL of approximately HK$214,000,000 (2018: financial assets at FVTPL and available-for-sale financial assets of approximately HK$55,608,000 and HK$33,327,000 respectively), are gains/(losses) for assets held at the end of the reporting period. The total gains recognise in other comprehensive income for the year ended 31 March 2018 were recognised in the line item "fair value gains on available-for-sale financial assets" on the face of the consolidated statement of profit or loss and other comprehensive income. The total (losses)/gains recognise in profit or loss are recognised in the line items "fair value losses on financial assets at fair value through profit or loss", "fair value gains on derivative financial instruments" and "other operating expenses" on the face of the consolidated statement of profit or loss.

The movements in the investment properties under Level 3 fair value measurements during the year are presented in note 19 to these consolidated financial statements. Fair value adjustment on investment properties are recognised in the line item "fair value (losses)/gains on investment properties" on the face of the consolidated statement of profit or loss.

7. Fair Value Measurements *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 March

The Group's finance director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance director reports directly to the Board of Directors of the Company (the "Board") for these fair value measurements. Discussions of valuation processes and results are held between the finance director and the Board at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2018 HK$'000
Assets			
Unlisted equity securities	Fund's net asset value	N/A	10,031

7. Fair Value Measurements *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 March *(Continued)*

Level 3 fair value measurements

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$'000
Assets					
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	11,300	Increase	**18,300**
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square metre)	22,500–97,000	Increase	**2,005,412**
		Adjusted market price (RMB/car parking space)	450,000–550,000	Increase	
Classified as held for sale	Direct comparison	Adjusted market price (RMB/square metre)	11,000–14,000	Increase	**108,018**
Unlisted equity securities — Indonesia	Income capitalisation	Weighted average cost of capital	18%	Decrease	**142,000**
		Long-term growth rate	3%	Increase	
		Gross profit margin rate	19%–40%	Increase	
		Discount for lack of marketability	15.8%	Decrease	
		Non-controlling interests	22.36%	Decrease	

7. Fair Value Measurements *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 March *(Continued)*

Level 3 fair value measurements *(Continued)*

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 HK$'000
Assets					
Investment properties					
Commercial — Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	11,200	Increase	18,200
Commercial — PRC	Direct comparison	Adjusted market price (RMB/square metre)	22,000–95,500	Increase	2,145,919
		Adjusted market price (RMB/car parking space)	637,000–643,000	Increase	
	Income capitalisation	Terminal yield	6%–6.5%	Decrease	244,161
		Reversionary yield	5%–7%	Decrease	
		Monthly rental (RMB/square metre)	12–117	Increase	
Unlisted equity securities — Hong Kong	Market comparable approach	Average price book multiple	0.58	Increase	39,849
		Book value	HK$642,891,000	Increase	
		Discount for lack of marketability	25%	Decrease	
Unlisted equity securities — Indonesia	Income capitalisation	Weighted average cost of capital	19%	Decrease	356,000
		Long-term growth rate	3%	Increase	
		Gross profit margin rate	33%–46%	Increase	
		Discount for lack of marketability	15.9%	Decrease	
		Non-controlling interests	22.24%	Decrease	
Derivative financial assets	Black-Scholes Model with Binomial Tree method	Share price	HK$0.40	Decrease	74,968
		Expected volatility	32.37%	Increase	
		Application failure rate	100%	Increase	
		Dividend yield	0%	Increase	

The valuation techniques of certain investment properties changed from income capitalisation as at 31 March 2018 to direct comparison as at 31 March 2019 as a result of recent comparable transactions during the year ended 31 March 2019. Save for the abovementioned changes, there were no changes in the valuation techniques used during the two years.

8. Revenue

An analysis of the Group's revenue for the year is as follows:

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers		
— Recognised at point in time		
Mining and trading of iron ore and raw materials	**1,538,279**	2,876,008
Sales of properties	**89,050**	921,883
Trading of clinker, cement and other building materials	**618,161**	619,201
	2,245,490	4,417,092
Revenue from other sources:		
Rental income	**85,478**	62,728
	2,330,968	4,479,820

9. Other Income

	2019	2018
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**5,724**	3,128
Consideration receivable	**–**	13,609
Total interest income	**5,724**	16,737
Agency income	**755**	9,078
Commission received	**3,523**	3,576
Despatch income	**4,789**	2,749
Dividend income	**1,794**	2,344
Consulting services	**49**	452
Others	**10,628**	14,446
	27,262	49,382

10. Segment Information

Operating segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. In the manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM") for the purposes of resources allocation and performance assessment, the Group has identified the following three reportable segments:

(i) Real estate investment and development;

(ii) Mining and trading of iron ore and raw materials; and

(iii) Trading of clinker, cement and other building materials.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as "all other segments". The Group's CODM regularly reviews the composition of the Group's reportable segments in order to improve the resource allocation and better assess the performance of the Group.

The accounting policies of operating segments are the same as those described in note 4 to these consolidated financial statements. Segment profits or losses do not include share of losses of associates and a joint venture, impairment losses on other intangible assets and property, plant and equipment, impairment losses on available-for-sale financial assets, prepayments, trade and bills receivables and loan and other receivables, losses on early redemption of convertible bonds, gains on modification of terms of convertible bonds and guaranteed notes, fair value losses/gains on derivative financial instruments, investment properties and financial assets at FVTPL, net loss on disposals of financial assets at FVTPL, finance costs, income tax credit/expense and other corporate income and expenses.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable segment assets and liabilities have not been presented in these consolidated financial statements.

10. Segment Information *(Continued)*

Information about reportable segment revenue and profit or loss is as follows:

	Real estate investment and development HK$'000	Mining and trading of iron ore and raw materials HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2019					
Revenue from external customers	**174,528**	**1,538,279**	**614,572**	**3,589**	**2,330,968**
Intersegment revenue	**600**	**–**	**–**	**–**	**600**
Segment (loss)/profit	**(97,539)**	**(146,668)**	**3,157**	**(45,095)**	**(286,145)**
Other information:					
Interest income	**621**	**5,072**	**27**	**4**	**5,724**
Interest expense	**64,850**	**89,532**	**1,913**	**86,593**	**242,888**
Depreciation	**4,053**	**29,974**	**113**	**2,690**	**36,830**
Income tax expense/(credit)	**30,595**	**(109,830)**	**448**	**(11,550)**	**(90,337)**
Other material non-cash item:					
Allowance/(reversal of allowance) for inventories	**18,217**	**(13,436)**	**–**	**5,645**	**10,426**

	Real estate investment and development HK$'000	Mining and trading of iron ore and raw materials HK$'000	Trading of clinker, cement and other building materials HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 March 2018					
Revenue from external customers	984,611	2,876,008	613,427	5,774	4,479,820
Intersegment revenue	600	–	–	–	600
Segment profit/(loss)	163,110	(224,806)	1,127	(56,268)	(116,837)
Other information:					
Interest income	1,817	1,233	9	66	3,125
Interest expense	11,901	88,349	1,171	3,046	104,467
Depreciation	4,487	141,926	161	2,419	148,993
Income tax expense/(credit)	54,879	(65,371)	1,014	(10,151)	(19,629)
Other material non-cash item:					
Allowance for inventories	–	18,187	–	–	18,187

10. Segment Information *(Continued)*

Reconciliations of reportable segment revenue and profit or loss:

	2019 HK$'000	2018 HK$'000
Revenue		
Total revenue from reportable segments	**2,331,568**	4,480,420
Elimination of intersegment revenue	**(600)**	(600)
Consolidated revenue	**2,330,968**	4,479,820
Profit or loss		
Total loss of reportable segments	**(286,145)**	(116,837)
Other profit or loss	**5,681**	20,680
Share of losses of associates	**(825)**	–
Share of loss of a joint venture	**(115)**	–
Impairment losses for prepayments	**(350,403)**	–
Impairment losses for trade and bills receivables	**(20,364)**	–
Impairment losses for loan and other receivables	**(106,237)**	(25,243)
Impairment loss on other intangible assets	**(559,259)**	(487,807)
Impairment loss on property, plant and equipment	**(111,537)**	(144,550)
Impairment loss on available-for-sale financial assets	**–**	(33,327)
Losses on early redemption of convertible bonds	**–**	(16,911)
Fair value gains on derivative financial instruments	**–**	62,896
Fair value (losses)/gains on investment properties	**(146,520)**	3,067
Fair value losses on financial assets at FVTPL	**(216,448)**	(8,716)
Net loss on disposals of financial assets at FVTPL	**(5,008)**	(4,454)
Gains on modification of terms of convertible bonds and guaranteed notes	**17,828**	–
Finance costs	**(242,888)**	(216,468)
Unallocated amounts	**(2,793)**	(41,401)
Consolidated loss before tax	**(2,025,033)**	(1,009,071)

10. Segment Information *(Continued)*

Geographical information:

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**1,728,176**	3,863,281	**2,113,034**	2,640,017
Macau	**–**	–	**8**	312,015
Malaysia	**34,326**	71,023	**626,001**	1,174,404
Taiwan	**238,577**	193,997	**–**	–
Others	**329,889**	351,519	**104,028**	126,908
	2,330,968	4,479,820	**2,843,071**	4,253,344

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2019	2018
Mining and trading of iron ore and raw materials segment	**HK$'000**	HK$'000
Customer a*	**N/A**	905,140
Customer b*	**N/A**	727,584
Customer c*	**N/A**	388,432

	2019	2018
Trading of clinker, cement and other building materials segment	**HK$'000**	HK$'000
Customer d	**249,825**	179,073

* Customer a, b and c contribute less than 10% of the total revenue of the Group during the year ended 31 March 2019.

11. Finance Costs

	2019 HK$'000	2018 HK$'000
Finance lease charges	**34**	41
Interest on bank and other borrowings wholly repayable within 5 years	**268,988**	147,485
Interest on guaranteed notes	**20,064**	18,724
Interest on bonds	**12,732**	11,110
Effective interest expense on convertible bonds	**24,175**	30,984
Effective interest expense on a loan from a related party	**10,424**	10,721
Interest on bank overdraft	**2**	–
	336,419	219,065
Less: Borrowing costs capitalised into properties under development for sale	**(93,531)**	(2,597)
	242,888	216,468

Borrowing costs were capitalised at rates ranging from 4.8%–16.02% (2018: 4.8%–12%) per annum for the year ended 31 March 2019.

12. Income Tax Credit

Income tax has been recognised in profit or loss as following:

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax		
Provision for the year	**955**	672
(Over)/under-provision in prior years	**(507)**	342
	448	1,014
Oversea Income tax		
Provision for the year	**–**	950
Overprovision in prior years	**(806)**	–
	(806)	950
PRC Corporate Income Tax ("CIT")		
Provision for the year	**2,899**	47,692
Underprovision in prior years	**45,014**	162
	47,913	47,854
LAT		
Provision for the year	**24,529**	14,102
Deferred tax (note 39)	**(162,421)**	(83,549)
	(90,337)	(19,629)

Hong Kong Profits Tax is provided at 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the companies operate, based on existing regulation, interpretation and practices in respect thereof.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to CIT at a rate of 25% (2018: 25%) during the year ended 31 March 2019.

12. Income Tax Credit *(Continued)*

Under the PRC Corporate Income Tax Law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of a PRC subsidiary at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

Subsidiaries incorporated in Macau as offshore limited company are exempted from income tax in Macau under Decree Law No. 58/991M.

The reconciliation between income tax credit and the product of loss before tax multiplied by the applicable tax rates in the jurisdictions concerned is as follows:

	2019	2018
	HK$'000	HK$'000
Loss before tax	**(2,025,033)**	(1,009,071)
Tax at the applicable rates in the jurisdictions concerned	**(376,096)**	(203,506)
Tax effect of income that is not taxable	**(53,450)**	(75,674)
Tax effect of expenses that are not deductible	**221,905**	208,824
Tax effect of unrecognised temporary differences	**(1,993)**	(193)
Tax effect of tax losses not recognised	**55,735**	72,195
Tax effect of utilisation of tax losses not previously recognised	**–**	(6,681)
LAT	**24,529**	14,102
Tax effect on LAT deductible for calculation of income tax purpose	**(4,668)**	(4,830)
Others	**–**	(24,370)
Under/(over)-provision in prior years	**43,701**	504
Income tax credit	**(90,337)**	(19,629)

The weighted average applicable tax rate was 19% (2018: 20%). No significant change of weighted average applicable tax rate for the two years.

13. Loss for the Year

The Group's loss for the year is stated after charging the following:

	2019 HK$'000	2018 HK$'000
Allowance for inventories (included in cost of inventories sold)	**10,426**	18,187
Auditor's remuneration	**3,866**	3,742
Bad debts	**2,804**	298
Cost of inventories sold	**2,187,302**	4,038,269
Exchange losses, net	**41,454**	2,632
Impairment loss on:		
Property, plant and equipment#	**111,537**	144,550
Other intangible assets#	**559,259**	487,807
Available-for-sale financial assets#	**–**	33,327
Losses on disposals of property, plant and equipment	**532**	239
Direct operating expenses of investment properties that generate rental income	**9,709**	21,050
Operating lease charges in respect of land and buildings	**7,577**	7,627

Included in other operating expenses.

14. Employee Benefits Expense (Including Directors' Emoluments)

	2019 HK$'000	2018 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**95,969**	128,413
Retirement benefit scheme contributions	**6,142**	8,605
	102,111	137,018

14. Employee Benefits Expense (Including Directors' Emoluments) *(Continued)*

(a) Retirement benefit schemes

The Group operates several mandatory provident fund schemes (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contribution under the scheme.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2018: two) directors whose emoluments are reflected in the analysis presented in note 15 to these consolidated financial statements. The emoluments of the remaining one (2018: three) highest paid individual(s) are set out below:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**3,032**	9,300
Discretionary bonus	**–**	2,245
Retirement benefit scheme contributions	**140**	422
	3,172	11,967

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$3,000,001 to HK$3,500,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. Benefits and Interests of Directors

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance are as follows:

	2019 HK$'000	2018 HK$'000
Fees		
Independent non-executive directors	**1,240**	1,240
Other emoluments		
Executive directors		
— Basic salaries, allowances and benefits in kind	**16,212**	16,650
— Retirement benefit scheme contributions	**309**	639
Non-executive directors		
— Basic salaries, allowance and benefits in kind	**250**	789
— Retirement benefit scheme contributions	**12**	39
Independent non-executive directors		
— Retirement benefit scheme contributions	**14**	34
	18,037	19,391

The emoluments of each director for the years ended 31 March 2019 and 2018 are set out below:

	Fees HK$'000	Basic salaries, allowances and benefit in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Director				
Mr. WONG Ben Koon	–	7,820	–	7,820
Dr. MAO Shuzhong (note (i))	–	1,440	42	1,482
Ms. Gloria WONG	–	1,597	80	1,677
Mr. LI Zhimin (note (ii))	–	1,755	13	1,768
Mr. WANG Jiafu (note (iii))	–	720	41	761
Mr. KONG Siu Keung (note (i))	–	2,880	133	3,013
Mr. LIU Yongshun (note (i))	–	120	6	126
Mr. WU Likang (note (i))	–	130	6	136
Mr. YUEN Kim Hung, Michael (note (iv))	280	–	14	294
Mr. YUNG Ho (note (i))	280	–	–	280
Mr. CHAN Kai Nang	500	–	–	500
Mr. MA Jianwu (note (i))	180	–	–	180
Total for 2019	**1,240**	**16,462**	**335**	**18,037**

15. Benefits and Interests of Directors *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Basic salaries, and allowances and benefit in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Director				
Mr. WONG Ben Koon	–	7,820	326	8,146
Dr. MAO Shuzhong (note (i))	–	1,990	70	2,060
Ms. Gloria WONG	–	1,597	80	1,677
Mr. LI Zhimin (note(ii))	–	1,755	–	1,755
Mr. WANG Jiafu (note (iii))	–	608	30	638
Mr. KONG Siu Keung (note (i))	–	2,880	133	3,013
Mr. LIU Yongshun (note (i))	–	468	23	491
Mr. WU Likang (note (i))	–	321	16	337
Mr. YUEN Kim Hung, Michael (note (iv))	280	–	14	294
Mr. YUNG Ho (note (i))	280	–	–	280
Mr. CHAN Kai Nang	500	–	20	520
Mr. MA Jianwu (note (i))	180	–	–	180
Total for 2018	1,240	17,439	712	19,391

Notes:

(i) Resigned on 8 July 2019.

(ii) Appointed on 3 July 2017 and resigned on 31 December 2018.

(iii) Appointed on 3 July 2017 and resigned on 8 July 2019.

(iv) Resigned on 25 May 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

(b) Directors' material interests in transactions, arrangements and contracts

Save as disclosed in note 50 to these consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. Dividends

The directors do not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

17. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on (i) the loss for the year attributable to the owners of the Company of approximately HK$1,829,401,000 (2018: HK$961,012,000); and (ii) the weighted average number of ordinary shares of 1,310,759,532 (2018: 1,236,519,903, as adjusted to reflect the share consolidation and rights issue on 25 February 2019 and 30 May 2019 respectively, details refer to note 33(a) and note 52(d)) in issue during the year ended 31 March 2019, as adjusted to reflect the share consolidation and rights issue on 25 February 2019 and on 30 May 2019 respectively.

(b) Diluted loss per share

The exercise of the Group's outstanding convertible bonds for the years ended 31 March 2018 and 2019 would be anti-dilutive.

There was no dilutive potential ordinary shares for the Company's share options during the years ended 31 March 2018 and 2019.

18. Property, Plant and Equipment

	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Buildings HK$'000	Mining infrastructure HK$'000	Total HK$'000
Cost									
At 1 April 2017	5,121	1,893	90,483	4,397	233,975	3,526	133,468	523,050	995,913
Acquisition of subsidiaries	–	–	16	38	–	–	1,498	–	1,552
Additions	23	–	1,510	680	137	97,613	2,036	2,722	104,721
Disposal and write off	–	–	(1,591)	(8)	(1,438)	–	–	–	(3,037)
Exchange differences	89	117	1,020	341	1,492	4,820	2,369	–	10,248
At 31 March 2018 and 1 April 2018	**5,233**	**2,010**	**91,438**	**5,448**	**234,166**	**105,959**	**139,371**	**525,772**	**1,109,397**
Additions	**22**	**–**	**1,457**	**344**	**–**	**12,379**	**–**	**7**	**14,209**
Disposal and write off	**(491)**	**–**	**(2,455)**	**(211)**	**–**	**–**	**–**	**–**	**(3,157)**
Exchange differences	**(61)**	**(78)**	**(706)**	**(303)**	**(924)**	**(5,757)**	**(1,738)**	**–**	**(9,567)**
At 31 March 2019	**4,703**	**1,932**	**89,734**	**5,278**	**233,242**	**112,581**	**137,633**	**525,779**	**1,110,882**
Accumulated depreciation and impairment									
At 1 April 2017	4,653	691	52,540	2,873	115,337	1,880	14,762	215,304	408,040
Charge for the year	272	506	8,747	738	33,476	–	83,550	21,963	149,252
Disposal and write off	–	–	(1,459)	(8)	(897)	–	–	–	(2,364)
Impairment (note 21)	44	–	7,961	–	27,453	693	304	108,095	144,550
Exchange differences	77	47	780	235	779	–	470	3,580	5,968
At 31 March 2018 and 1 April 2018	**5,046**	**1,244**	**68,569**	**3,838**	**176,148**	**2,573**	**99,086**	**348,942**	**705,446**
Charge for the year	**150**	**475**	**5,895**	**685**	**14,163**	**–**	**2,767**	**12,724**	**36,859**
Disposal and write off	**(491)**	**–**	**(1,484)**	**(187)**	**–**	**–**	**–**	**–**	**(2,162)**
Impairment (note 21)	**–**	**–**	**7,422**	**–**	**26,921**	**774**	**–**	**76,420**	**111,537**
Exchange differences	**(56)**	**(47)**	**(396)**	**(186)**	**(448)**	**–**	**(346)**	**–**	**(1,479)**
At 31 March 2019	**4,649**	**1,672**	**80,006**	**4,150**	**216,784**	**3,347**	**101,507**	**438,086**	**850,201**
Carrying amount									
At 31 March 2019	**54**	**260**	**9,728**	**1,128**	**16,458**	**109,234**	**36,126**	**87,693**	**260,681**
At 31 March 2018	187	766	22,869	1,610	58,018	103,386	40,285	176,830	403,951

At 31 March 2019, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately HK$168,318,000 (2018: HK$286,866,000) (notes 36 and 48).

At 31 March 2019, the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK$1,315,000 (2018: HK$1,543,000).

19. Investment Properties

	2019 HK$'000	2018 HK$'000
At beginning of year	**2,408,280**	2,218,307
Additions	**105**	–
Reclassified as held for sale (note 32)	**(108,018)**	–
Fair value (losses)/gains	**(146,520)**	3,067
Exchange differences	**(130,135)**	186,906
At end of year	**2,023,712**	2,408,280

(a) The fair values of the Group's investment properties as at 31 March 2019 and 31 March 2018 have been arrived at on the basis of valuations carried out by Roma Appraisals Limited ("Roma") (2018: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), independent professional valuer. The valuations of investment properties have been arrived at adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition or calculated using income capitalisation approach by reference to net rental income allowing for reversionary income potential.

(b) At 31 March 2019, investment properties with carrying amount of approximately HK$2,008,319,000 (2018: HK$2,391,905,000) were pledged as security for the Group's bank borrowings (notes 36 and 48) and loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary (note 47(b)).

20. Goodwill

	2019 HK$'000	2018 HK$'000
Cost		
At beginning and at end of year	**73,611**	73,611
Accumulated impairment		
At beginning and at end of year	**73,611**	73,611
Carrying amount		
At 31 March	**–**	–

21. Other Intangible Assets

	Mining rights HK$'000
Cost	
At 1 April 2017	2,540,989
Exchange differences	(1,720)
At 31 March 2018 and 1 April 2018	**2,539,269**
Exchange differences	**(6,564)**
At 31 March 2019	**2,532,705**
Accumulated amortisation and impairment	
At 1 April 2017	928,868
Impairment	487,807
Exchange differences	(225)
At 31 March 2018 and 1 April 2018	**1,416,450**
Impairment	**559,259**
Exchange differences	**(1,682)**
At 31 March 2019	**1,974,027**
Carrying amount	
At 31 March 2019	**558,678**
At 31 March 2018	1,122,819

At 31 March 2019, the mining rights represents the mining permits of iron ore mining sites located in Malaysia and Federative Republic of Brazil ("Brazil") and the mining permits of granite mining sites located in the PRC of approximately HK$465,498,000 and HK$65,829,000 (2018: HK$925,140,000 and HK$124,130,000) and HK$27,351,000 (2018: HK$73,549,000) respectively.

Mining rights are amortised using the unit of production method based on the actual production volume over the estimated total probable reserves within the terms of license. In the opinion of directors, the cost for the extension of the mining period for the mining rights is considered to be minimal.

At 31 March 2019, mining rights with carrying amount of approximately HK$465,498,000 (2018: HK$925,140,000) were pledged as security for the Group's bank borrowings (notes 36 and 48).

21. Other Intangible Assets *(Continued)*

Impairment review of iron ore mining operation

The planned resumption of the Group's iron ore mining operations in Malaysia was further deferred until 2020 due to the continued instability in global iron ore prices in 2019. In addition, the operational mining scheme of an ore mine expired during the year without being renewed as the directors considered the project no longer feasible due to unresolved disputes with mining owners. Further, operating costs in Malaysia continued to increase due to local inflation and continuous depreciation of local currency. After considering these impairment indicators, the Group carried out an impairment review of the iron ore mining and trading operations of Billion Win Capital Limited ("Billion Win") which is considered as a CGU of the iron ore mining operation in Malaysia, including other intangible assets and property, plant and equipment, by comparing the carrying amount with its recoverable amount by reference to the valuation report prepared by Roma, an independent professional valuer. As the result, impairment losses of approximately HK$459,642,000 (2018: HK$420,604,000) and HK$109,735,000 (2018: HK$114,037,000) for other intangible assets and property, plant and equipment, respectively, were recognised in profit or loss during the year ended 31 March 2019.

The recoverable amount of the CGU of approximately HK$642,494,000 (2018: HK$1,260,480,000) has been determined from fair value less costs of disposal using the income-based approach (level 3 fair value measurements) (2018: value in use), being estimated future cash flows of the mining operation of Billion Win, which were prepared with reference to the report prepared by Blackstone Mining Associates Limited as disclosed in the circular of the Company dated 30 August 2014 and updated with the latest mining plan of the mine in Malaysia which has a mine life of approximately 19 years, discounted to their present value using a pre-tax discount rate of 20.86% (2018: 17.88%).

During the year ended 31 March 2019, the iron ore price continued to be unstable and the iron ore mining and trading operations of United Goalink Limited ("UGL"), which is considered as a CGU of the iron ore operation in Brazil, remained suspended. Taking into account the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil, the Group decided to dispose of the iron ore mining and trading operations of UGL. Subsequent to the reporting period, an equity transfer agreement was entered into to dispose of the iron ore operation in Brazil at a consideration of approximately HK$35,100,000, details refer to note 52(a) to the consolidated financial statements. The carrying amount of other intangible asset of the CGU was thus compared to the recoverable amount by reference to the consideration and as a result, impairment losses of approximately HK$53,419,000 for other intangible assets was recognised in profit or loss during the year ended 31 March 2019.

At 31 March 2018, the Group carried out an impairment review for the iron ore mining and trading operations of UGL which was considered as a CGU of the iron ore operation in Brazil, including other intangible assets and property, plant and equipment, by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma. As the result, impairment losses of approximately HK$26,600,000 and HK$28,116,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2018.

At 31 March 2018, the recoverable amount of the CGU of approximately HK$12,605,000 had been determined based on the fair value less cost of disposal using the market-based approach calculated based on the average price-to-sales ratio of several companies listed on the stock exchange of Brazil after considering a 15.9% discount on lack of marketability and a 26.0% controlling premium.

21. Other Intangible Assets *(Continued)*

Impairment review of iron ore mining operation *(Continued)*

The key assumptions for the impairment test of Billion Win include the iron ore prices, operating costs, as well as the inflation rate over the expected life of the mines. Selling prices for iron ore and forecast inflation rates were based on external sources and adjustments were made for the expected quality of the forecast production.

Management has estimated the long-term forecast selling prices for iron ore with reference to the market consensus on forecast price of 62% grade iron ore from 2019 to 2023 from Bloomberg, and inflation rate of 3.0%, which was sourced from International Monetary Fund ("IMF") was applied to selling price thereafter to the end of the expected life of the mines.

As for the operating costs, the management of the Company has made its estimation based on the latest operation condition of iron ore mines, and applying the long term inflation rate of Malaysia, which was sourced from IMF, from 2020 to the end of the expected life of the mines.

Impairment review of granite mining operation

During the year ended 31 March 2019, the mining permit for granite mining operation expired and the Group applied for renewal. Due to changes of national regulations regarding the granite mining operations, more stringent policies and requirements were implemented by the PRC government, the renewal of mining permit requires considerable cost. After considering the financial resources of the Group and the feasibility of successful renewal, the Group decided to terminate the renewal of mining permit. As a result, the Group carried out an impairment review of grante mining operation, which is considered as a CGU, including other intangible assets and property, plant and equipment, by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma and impairment losses of approximately HK$46,198,000 and HK$1,802,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2019.

At 31 March 2018, having regard to the change in production plan of granite products during the year, the Group carried out an impairment review of granite mining operation by comparing carrying amount with its recoverable amount by reference to the valuation report prepared by Roma. As the result, impairment losses of approximately HK$40,603,000 and HK$2,397,000 for other intangible assets and property, plant and equipment respectively, were recognised in profit or loss during the year ended 31 March 2018.

At 31 March 2019, the recoverable amount of the granite mining operation of approximately HK$18,644,000 (2018: HK$82,563,000) has been determined from fair value less costs of disposal using the income-based approach (level 3 fair value measurements) (2018: value in use), being estimated future cash flows of the granite mining operation, which were prepared with reference to the mining plan covering the expected life of the operation up to 2035, discounted to their present value using a pre-tax discount rate of 17.51% (2018: 14.88%).

The key assumptions for the impairment test include the production plan of granite products as well as the inflation rates over the expected life of the mine. Management has estimated the long term forecast production plan for granite products with reference to the management expectation on the market performance, and inflation rate of 3% was applied from 2024 to the end of the expected life of the mine. The inflation rate, which was sourced from IMF, represented long term inflation rate of the PRC where the ultimate customers located.

22. Investments in Associates

	2019	2018
	HK$'000	HK$'000
Unlisted investments:		
Share of net assets	**19,915**	–

Details of the Group's associates at 31 March 2019 are as follows:

Name	**Place of incorporation/ registration**	**Issued and paid up capital**	**Percentage of ownership interest/ profit sharing**	**Principal activities**
Δ Hangzhou Prosperity Enterprise Management Limited	PRC	Registered capital of RMB2,600,000	50%	Provision of marketing services
Δ Xinxing Pipes (Shanghai) Supply Chain Management Limited	PRC	Registered capital of RMB50,000,000	30%	Trading of iron ore

Δ The English translation of the companies' names is for reference only. The official name of these companies are in Chinese.

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2019	2018
	HK$'000	HK$'000
At 31 March:		
Carrying amounts of interests	**19,915**	–
Year ended 31 March:		
Loss from operations	**(1,609)**	–
Loss after tax	**(1,609)**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(1,609)**	–

As at 31 March 2019, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to approximately HK$7,053,000 (2018: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. Investment in a Joint Venture

	2019	2018
	HK$'000	HK$'000
Unlisted investments:		
Share of net assets	**69,799**	–

Details of the Group's joint venture at 31 March 2019 are as follows:

Name	**Place of incorporation/ registration**	**Issued and paid up capital**	**Percentage of ownership interest/ profit sharing**	**Principal activities**
[Δ] Dali Gangxing Property Company Limited ("Dali Gangxing")	PRC	Registered capital of RMB120,000,000	50%	Property development

[Δ] The English translation of the company's name is for reference only. The official name of this company is in Chinese.

The following table shows the Group's share of the amounts of joint venture that are accounted for using the equity method.

	2019	2018
	HK$'000	HK$'000
At 31 March:		
Carrying amounts of interests	**69,799**	–
Year ended 31 March:		
Loss from operations	**(231)**	–
Loss after tax	**(231)**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(231)**	–

As at 31 March 2019, the bank and cash balances of the Group's joint venture in the PRC denominated in RMB amounted to approximately HK$100,000 (2018: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. Available-For-Sale Financial Assets

	2019 HK$'000	2018 HK$'000
Listed equity securities in Hong Kong, at fair value	–	370,785
Listed equity securities outside Hong Kong, at fair value	–	14,081
Unlisted equity securities, at fair value (note)	–	405,880
	–	790,746
Analysed as:		
Current assets	–	434,746
Non-current assets	–	356,000
	–	790,746

Available-for-sale financial assets are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	–	766,634
US$	–	16,438
Canadian dollar ("CAD")	–	7,674
	–	790,746

The fair values of listed equity securities were based on quoted closing prices at the end of the reporting period.

Note:

At 31 March 2018, included in unlisted equity securities were amounts of approximately:

(i) HK$10,031,000 representing investments in funds of which the investment portfolio mainly comprised of listed equity securities. The fair values of unlisted equity securities were based on prices quoted by the financial institutions or fund administrators.

(ii) HK$395,849,000 representing investments in unlisted equity securities. The Group established fair value by using valuation techniques. These included the use of market comparable approach, asset-based approach and income capitalisation approach, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

At 31 March 2018, listed equity securities with an aggregate carrying amount of HK$336,054,000 had been pledged as security for the Group's margin loan (note 41(b)(ii)) and unlisted equity securities with an aggregate carrying amount of HK$39,849,000 had been pledged as security for the Group's other borrowing (note 43).

25. Financial Assets at FVTOCI

	2019	2018
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**194,522**	–
Listed equity securities outside Hong Kong, at fair value	**5,072**	–
	199,594	–

Financial assets at FVTOCI are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HK$	**194,522**	–
US$	**1,872**	–
CAD	**3,200**	–
	199,594	–

The fair values of listed equity securities are based on quoted closing prices at the end of the reporting period.

During the year ended 31 March 2019, the Group sold certain of its listed and unlisted equity securities classified as financial assets at FVTOCI for cash to improve its liquidity. The equity securities sold had a fair value of approximately HK$22,678,000 and the Group realised a gain of approximately HK$9,573,000 which had already been included in FVTOCI reserve to accumulated losses.

At 31 March 2019, listed equity securities with an aggregate carrying amount of HK$194,522,000 have been pledged as security for the Group's bank borrowings (notes 36 and 48).

26. Financial Assets at FVTPL

	2019	2018
	HK$'000	HK$'000
Derivative financial assets	**–**	74,968
Listed equity securities in Hong Kong, at fair value (note (i))	**10,904**	17,601
Unlisted equity securities, at fair value (note (ii))	**142,000**	–
	152,904	92,569
Analysed as:		
Current assets	**10,904**	92,569
Non-current assets	**142,000**	–
	152,904	92,569

Notes:

(i) The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed equity securities are based on quoted closing price at the end of the reporting period.

(ii) HK$142,000,000 (2018: HK$395,849,000, classified as available-for-sale financial assets) representing investments in unlisted equity securities. The Group establishes fair value by using valuation techniques. These include the use of market comparable approach, asset-based approach and income capitalisation approach, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

27. Non-Current Prepayments

	2019	2018
	HK$'000	HK$'000
Prepayments		
Purchase of iron ore	**–**	312,000
Property, plant and equipment	**–**	5,008
Leases	**–**	1,286
	–	318,294

As at 31 March 2018, the Group had entered into an off-take agreement with a pig iron supplier and had prepaid approximately HK$312,000,000, which were expected to be recovered from pig iron to be delivered to the Group after one year.

27. Non-Current Prepayments *(Continued)*

The off-take agreement would expire by the end of June 2019 but pursuant to the off-take agreement, the pig iron supplier would be granted further extension if the pig iron supplier could provide certain information to the satisfaction of the Group to support its financial stability and competency and to prove that the construction of the mine has commenced. As the pig iron supplier could not fulfil its obligations before the expiry of the off-take agreement by the end of June 2019, the Group has taken steps to recover the prepayment.

The recovery of the prepayment for purchase of pig iron depends on the repayment ability of the supplier and the result of future actions taken, including but not limited to legal proceedings. Management considered that the recoverable amount is negligible and full provision of approximately HK$312,000,000 (2018: HK$Nil) against the prepayment was recognised in profit or loss during the year.

28. Inventories

	2019 **HK$'000**	2018 HK$'000
Properties under development for sale	**2,021,929**	1,567,031
Properties held for sale	**1,000,817**	1,105,766
Raw iron ore	**2,902**	7,105
Processed iron ore	**99,803**	84,016
Granite products	**–**	19,183
	3,125,451	2,783,101

At 31 March 2019, inventories with carrying amount of HK$1,126,097,000 (2018: HK$709,738,000) were pledged as security for the Group's bank borrowings (note 36 and 48) and loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary (note 47(b)).

The carrying amount of inventories expected to be recovered after more than twelve months from 31 March 2019 amounted to HK$2,021,929,000 (2018: HK$1,567,031,000).

For the year ended 31 March 2019, depreciation of property, plant and equipment of approximately HK$29,000 (2018: HK$235,000) are capitalised as inventories.

29. Trade and Bills Receivables

	2019 HK$'000	2018 HK$'000
Trade and bills receivables	**222,344**	198,960
Allowance for doubtful debts	**(57,371)**	(4,957)
	164,973	194,003

In relation to the trading of clinker, cement and other building materials and iron ore and raw materials, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 0 to 90 (2018: 0 to 90) days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade and bills receivables, based on the goods delivery date, and net of allowance, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 90 days	**161,682**	40,266
91 to 180 days	**1,280**	65,044
181 to 365 days	**2,011**	54,016
Over 1 year	**–**	34,677
	164,973	194,003

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
US$	**153,186**	144,684
RMB	**9,118**	44,717
Malaysian Ringgit ("MYR")	**2,669**	4,602
	164,973	194,003

30. Prepayments, Deposits and Other Receivables

	2019 HK$'000	2018 HK$'000
Prepayments		
Other taxes (note (a))	**48,393**	38,664
Iron ore	**106,541**	60,561
Building materials	**54,685**	46,291
Others	**19,654**	29,764
	229,273	175,280
Other deposits	**21,874**	2,277
Other receivables (note (b))	**247,842**	139,251
Loan receivables (note (c))	**5,771**	105,606
	504,760	422,414

Notes:

(a) Included in prepaid other taxes are amounts of approximately:

(i) HK$35,127,000 (2018: HK$23,047,000) representing taxes paid in relation to the sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

(ii) HK$13,266,000 (2018: HK$15,617,000) representing tax credit on the social contribution and value-added tax paid in relation to purchase of raw materials and property, plant and equipment in connection with the mining of iron ore.

(b) Included in other receivables are amounts of approximately:

(i) HK$11,710,000 (2018: HK$8,673,000) representing the interests accrued in respect of the loan receivables.

(ii) HK$Nil (2018: HK$24,030,000) representing the security for the Group's other borrowings amounts to HK$Nil (2018: HK$23,000,000) (note 43).

(iii) HK$148,181,000 (2018: HK$7,834,000) representing advances to non-controlling shareholders of subsidiaries. The amounts due are unsecured, interest-free and repayable on demand.

(iv) HK$20,636,000 (2018: HK$Nil) and HK$7,026,000 (2018: HK$Nil) representing advances to an associate and a joint venture respectively. The amounts due are unsecured, interest-free and repayable on demand.

(c) Included in loan receivables are amounts of approximately:

(i) HK$12,342,000 (2018: HK$12,342,000) made to business associates that are unsecured, interest-free and repayable within one year. As at 31 March 2019, an allowance was made for estimated irrecoverable loan receivable of approximately HK$12,342,000 (2018: HK$12,342,000).

(ii) HK$115,578,000 (2018: HK$121,206,000) made to third parties that are unsecured, interest-bearing at 8%–10% per annum and repayable within one year. As at 31 March 2019, an allowance was made for estimated irrecoverable loan receivables of approximately HK$109,748,000 (2018: HK$15,600,000).

31. Pledged Deposits and Bank and Cash Balances

The pledged deposits and bank and cash balances of approximately HK$248,287,000 (2018: HK$576,914,000) carries floating interest rate thus expose the Group to cash flow interest rate risk.

Pledged deposits mainly represent the deposits placed in banks to secure letters of credit facilities granted to the Group (note 48).

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, a subsidiary of the Group is required to place certain amount of its presale proceeds of properties at designated bank accounts as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the properties when approval from the local State-Owned Land and Resource Bureau is obtained. As at 31 March 2019, guarantee deposits of approximately HK$102,109,000 (2018: HK$72,894,000) was included in bank and cash balances. The balance of the deposits will be released gradually after completion of the properties, delivery of the properties and issuance of the properties ownership certificates of the properties.

As at 31 March 2019, included in pledged deposits and bank and cash balances is an amount of approximately HK$243,477,000 (2018: HK$534,059,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

32. Assets classified as held for sale

	2019 **HK$'000**	2018 HK$'000
Investment properties	**108,018**	–

On 12 November 2018, Guangzhou Bliss Hero Real Estate Development Limited* ("Guangzhou Bliss Hero"), an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchases agreement with Guangzhou Zhongshi Real Estate Investment Company Limited* to dispose of certain investment properties located in Guangzhou City, Guangdong Province, PRC at a consideration of approximately RMB92,700,000 (equivalent to approximately HK$108,018,000).

* The English translation of the companies' names is for reference only. The official name of these companies are in Chinese.

33. Share Capital and Treasury Shares

		Share Capital			Treasury Shares		
	Note	Number of ordinary shares of HK$0.01 each	Number of ordinary shares of HK$0.1 each	Amount	Number of ordinary shares of HK$0.01 each	Number of ordinary shares of HK$0.1 each	Amount
				HK$'000			HK$'000
Authorised:							
At 1 April 2017, 31 March 2018 and 1 April 2018		20,000,000,000	–	200,000			
Share consolidation	(a)	(20,000,000,000)	2,000,000,000	–	–	–	–
At 31 March 2019		–	2,000,000,000	200,000	–	–	–
Issued and fully paid:							
At 1 April 2017		10,195,613,967	–	101,956	–	–	–
Issue of new shares upon share placements	(b)	227,272,727	–	2,273	–	–	–
Issue of new shares for acquisition of available–for–sale financial assets	(c)	2,333,333,333	–	23,334	–	–	–
Purchase of treasury shares	(d)	–	–	–	(10,600,000)	–	(907)
Cancellation of treasury shares	(d)	(10,060,000)	–	(101)	10,600,000	–	907
At 31 March 2018 and 1 April 2018		12,746,160,027	–	127,462	–	–	–
Purchase of treasury shares	(d)	–	–	–	(3,080,000)	–	(118)
Cancellation of treasury shares	(d)	(3,080,000)	–	(31)	3,080,000	–	118
Share consolidation	(a)	(12,743,080,027)	1,274,308,002	–	–	–	–
At 31 March 2019		–	1,274,308,002	127,431	–	–	–

Notes:

(a) On 25 February 2019, every ten shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.1 each in the issued and unissued share capital of the Company.

(b) On 9 June 2017, the Company and SMI Holdings Group Limited entered into a subscription agreement and subsequently amended by a deed of amendment on 13 June 2017 in respect of the issuance of 1,959,122,793 new ordinary shares of the Company in two tranches at the price of HK$0.11 per subscription share. The Company had issued 227,272,727 shares and the premium on the issue of shares of approximately HK$22,727,000 was credited to the Company's share premium accounts. On 14 May 2018, the Company terminated the subscription agreement and deed of amendment and the remaining unsubscribed shares were not issued.

(c) On 26 October 2016, the Company, Full Right Asia Limited ("Full Right") as purchasers, and Prosperity Materials (International) Limited ("PMIL"), a related company of which a director, Mr. Wong Ben Koon had beneficial interest as vendor entered into a sale and purchase agreement (as amended by the supplemental agreement dated 28 April 2017, the second supplemental agreement dated 31 May 2017 and the third supplemental agreement dated 27 June 2017) (the "Amended Sale and Purchase Agreement") in respect of the acquisition of 25% issued share capital of Indonesia Conch for the consideration of HK$450,000,000, of which HK$350,000,000 of the consideration shall be satisfied by the Company by way of the allotment and issue of the 2,333,333,333 ordinary shares of the Company ("Consideration Shares") to PMIL. As at 14 July 2017, the acquisition was completed and a total of 2,333,333,333 Consideration Shares were allotted and issued in accordance with the terms of the Amended Sale and Purchase Agreement.

33. Share Capital and Treasury Shares *(Continued)*

Notes: (Continued)

(d) Purchase and cancellation of treasury shares

The Company repurchased 3,080,000 (2018: 10,060,000) shares of the Company on the Stock Exchange (the "Repurchases") and subsequently cancelled during the year ended 31 March 2019. The total consideration (including transaction costs) of the Repurchases were HK$117,540 (2018: HK$907,033). Particulars of the Repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share Highest HK$	Lowest HK$	Aggregate consideration HK$
Dec 2018	3,080,000	0.040	0.036	117,540
Aug 2017	4,460,000	0.096	0.091	423,072
Sep 2017	3,800,000	0.091	0.086	337,321
Dec 2017	1,800,000	0.082	0.080	146,640
	10,060,000			907,033

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

During the year ended 31 March 2019, the Group's strategy, which was unchanged from 2018, was to maintain a capital structure with a lowest weighted average cost of capital. The debt-to-equity ratio, which represented total debts (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds) over shareholders' equity, at 31 March 2019 and at 31 March 2018 were -1,732% and 138%, respectively.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non- public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2019, 35% (2018: 35%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There were no breaches in the financial covenants of any interest–bearing borrowing for the year ended 31 March 2018. During the year ended 31 March 2019, the Group did not meet certain financial ratios as set out in the covenants of the borrowing agreements with carrying amount of approximately HK$1,028,947,000 as at 31 March 2019. No waivers in respect of the breach of the financial covenants of these borrowings have been obtained from the lenders up to the date of this report. The directors are confident that the lenders of these borrowings will not enforce their rights of requesting for immediate repayment and agreements will be reached in due course.

34. Statement of Financial Position and Reserve Movements of the Company

(a) Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**22**	31
Investments in subsidiaries		**2,162,826**	2,418,458
		2,162,848	2,418,489
Current assets			
Financial assets at FVTPL		**10,904**	17,601
Prepayments, deposits and other receivables		**196**	2,685
Bank balances		**4,218**	1,248
		15,318	21,534
TOTAL ASSETS		**2,178,166**	2,440,023
Capital and reserves			
Share capital	33	**127,431**	127,462
Reserves	34(b)	**467,762**	1,134,405
Total equity		**595,193**	1,261,867
Non-current liabilities			
Bonds	44	**–**	126,000
Current liabilities			
Other payables		**191,498**	122,436
Other borrowings		**148,293**	281,480
Convertible bonds	42	**174,424**	176,827
Guarantee notes	44	**145,954**	177,790
Current portion of bonds	44	**185,500**	72,000
Financial guarantees		**737,304**	221,623
		1,582,973	1,052,156
Total liabilities		**1,582,973**	1,178,156
TOTAL EQUITY AND LIABILITIES		**2,178,166**	2,440,023
Net current liabilities		**(1,567,655)**	(1,030,622)
Total assets less current liabilities		**595,193**	1,387,867

Approved by the Board on 18 July 2019 and is signed on its behalf by:

Wong Ben Koon
Chairman and Executive Director

Gloria Wong
Executive Director

34. Statement of Financial Position and Reserve Movements of the Company *(Continued)*

(b) Reserve movements of the Company

	Share premium HK$'000	Treasury shares HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	1,997,521	–	872,101	12,600	–	(1,469,368)	1,412,854
Total comprehensive income for the year	–	–	–	–	–	(550,249)	(550,249)
Issue of new shares upon share placements (note 33(b))	22,727	–	–	–	–	–	22,727
Acquisition of available-for-sale financial assets (note 33(c))	240,333	–	–	–	9,546	–	249,879
Purchase of treasury shares (note 33(d))	–	(907)	–	–	–	–	(907)
Cancellation of treasury shares (note 33(d))	(806)	907	–	–	–	–	101
Transfer of reserve upon lapse of share options	–	–	–	(513)	–	513	–
Redemption of convertible bonds	–	–	–	–	(9,546)	9,546	–
Changes in equity for the year	262,254	–	–	(513)	–	(540,190)	(278,449)
At 31 March 2018 and 1 April 2018	2,259,775	–	872,101	12,087	–	(2,009,558)	1,134,405
Total comprehensive income for the year	–	–	–	–	–	(669,189)	(669,189)
Issue of convertible bonds (note 42)	–	–	–	–	2,633	–	2,633
Purchase of treasury shares (note 33(d))	–	(118)	–	–	–	–	(118)
Cancellation of treasury shares (note 33(d))	(87)	118	–	–	–	–	31
Transfer of reserve upon lapse of share options	–	–	–	(3,078)	–	3,078	–
Changes in equity for the year	(87)	–	–	(3,078)	2,633	(666,111)	(666,643)
At 31 March 2019	**2,259,688**	**–**	**872,101**	**9,009**	**2,633**	**(2,675,669)**	**467,762**

35. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by the Companies Act of Bermuda.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The reserve is dealt with in accordance with the accounting policies set out in note 4(e)(iii) to these consolidated financial statements.

(iii) Contributed surplus

The contributed surplus of the Group comprises (a) an amount arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore; and (b) the net of credit arising from capital reduction of HK$1,000,000,000 transferred from share premium account and dividend paid.

(iv) Merger reserve

The excess of the consolidated net assets represented by the shares in subsidiaries acquired over the nominal value of the shares issued by Prosperity Minerals Holdings Limited ("PMHL") in exchange under the combination was transferred to merger reserve.

(v) Share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 4(aa) to these consolidated financial statements.

(vi) FVTOCI (2018: Investment) reserve

The FVTOCI (2018: Investment) reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI (2018: available-for-sale financial assets) held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(n) to these consolidated financial statements.

(vii) Capital reserve

The capital reserve comprises the difference in carrying amount of term loan from a related company and the present value of revised estimated future cash flows computed at the term loan's original effective interest rate.

35. Reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(viii) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond in note 4(u) to these consolidated financial statements.

(ix) Other reserve

The other reserve, which is non-distributable, is appropriated from the profit after tax of a Macau subsidiary and a PRC subsidiary of the Group under the Macao Commercial Code and applicable laws and regulations in the PRC, respectively.

36. Bank Borrowings

	2019 **HK$'000**	2018 HK$'000
Secured		
Bank loans	**927,852**	1,383,198
Trust receipt loans	**150,527**	326,259
Invoices financing	**–**	86,600
Unsecured		
Bank overdraft	**41,406**	731
	1,119,785	1,796,788

The bank borrowings are repayable as follows:

	2019 **HK$'000**	2018 HK$'000
On demand or within one year	**1,030,760**	1,147,005
In the second year	**30,893**	616,017
In the third to fifth years, inclusive	**58,132**	33,766
	1,119,785	1,796,788
Less: Amount due for settlement within 12 months	**(914,949)**	(1,147,005)
Amount due for settlement after one year which contain a repayment on demand clause	**(115,811)**	(75,835)
Amount due for settlement after 12 months	**89,025**	573,948

36. Bank Borrowings *(Continued)*

None of the amount of bank borrowings due for settlement after one year which contain a repayment on demand clause that is classified as a current liability is expected to be settled within one year.

As at 31 March 2019, the weighted average effective interest rate for the Group's trust receipt loans and invoices financing of approximately HK$150,527,000 (2018: HK$326,259,000) and HK$Nil (2018: HK$86,600,000) are 5.4% (2018: 4.4%) and Nil% (2018: 3.4%) respectively, and carry effective interest rates ranging from 2.2% to 5.4% (2018: 2.2% to 4.9%) and Nil% (2018: 3.2% to 4.0%), respectively. All of the trust receipt loans and invoices financing are denominated in US$.

For the bank loans of the Group, the weighted average effective interest rate is 5.6% (2018: 4.8%). Out of the total bank loans of approximately HK$927,852,000 (2018: HK$1,383,198,000), approximately HK$217,794,000, HK$551,116,000 and HK$157,907,000 (2018: HK$268,105,000, HK$956,581,000 and HK$157,449,000) are denominated in US$, HK$ and RMB respectively, and carry effective interest rates ranging from 4.3% to 7.2%, 2.8% to 4.9% and 5.2% to 7.5% (2018: 4.6% to 6.2%, 2.8% to 4.8% and 5.2% to 9.0%), respectively. The remaining balance of approximately HK$1,035,000 (2018: HK$1,063,000) is denominated in Indonesia Rupiah with effective interest rate of 38.5% (2018: 35.0%).

All the bank overdraft of the Group is denominated in US$.

Bank borrowings of approximately HK$199,314,000 (2018: HK$158,179,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

Bank borrowings of approximately HK$920,471,000 (2018: HK$1,638,609,000) are arranged at floating interest rates, thus exposing the Group to cash flow interest rate risk.

Cross-default of bank borrowings

As disclosed in note 44 to the consolidated financial statements, as a result of failure to repay certain bond principals of approximately HK$16,000,000 in accordance with the repayment schedules set out in the bond agreements, the Group triggered events of default as stipulated in the bond agreement, and as a consequence bonds with a carrying amount of approximately HK$142,000,000 became immediately repayable. This event further constituted events of default under certain borrowings. As a consequence, bank borrowings with carrying amount of approximately HK$769,944,000 (the "Cross-default Bank Borrowings") as at 31 March 2019 became immediately repayable and were classified as current liabilities. No remedies in respect of the Cross-defaults have been agreed with the banks up to the date of this report.

Breach of financial covenants of bank borrowings

Certain of the bank borrowings are subject to the fulfillment of covenants set out in the borrowing agreements. During the year ended 31 March 2019, the Group breached certain covenant clauses in borrowing agreements in relation to the maintenance of debt to equity ratio, consolidated net debt to consolidated tangible net worth ratio and interest coverage ratio of the Group. As a result, bank borrowings with carrying amount of approximately HK$736,327,000, which were already cross-defaulted, are subject to an early repayment option by the banks. Such bank borrowings were classified as current liabilities as at 31 March 2019 as a result of the Cross-defaults. No waivers in respect of the breach of the financial covenants of these bank borrowings have been obtained from respective banks up to the date of this report.

36. Bank Borrowings *(Continued)*

Non-payments of bank borrowings

Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$16,504,000 in accordance with the repayment schedules set out in the borrowing agreements. As a result of the defaults, bank borrowings with carrying amounts of approximately HK$150,527,000 as at 31 March 2019 became immediately repayable. No extensions to the repayment dates of these bank borrowings have been obtained from the lenders up to the date of this report.

37. Finance Lease Payables

	Minimum lease payments		**Present value of minimum lease payments**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13**	286	**13**	255
In the second to fifth years, inclusive	**–**	14	**–**	14
	13	300	**13**	269
Less: Future finance charges	**–**	(31)	**N/A**	N/A
Present value of lease obligations	**13**	269	**13**	269
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(13)**	(255)
Amount due for settlement after 12 months			**–**	14

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 5 years (2018: 3-5 years). At 31 March 2019, the effective borrowing rate is 2.65% (2018: 2.65% to 2.85%). Interest rate is fixed at the contract date and thus expose the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements has been entered into for contingent rental payments. At the end of the lease term, the Group has the option to purchase the motor vehicles at nominal prices. The finance lease payable is denominated in US$ and is secured by the lessors' title to the leased assets.

38. Other Loans and Payables

	2019	2018
	HK$'000	HK$'000
Due to related companies (note (a))	**60,716**	60,734
Term loan from a related company (note (b))	**278,045**	266,364
	338,761	327,098

Notes:

(a) Due to related companies are unsecured, interest-free and repayable on 30 April 2020 (2018: 30 April 2019).

(b) The term loan from a related company is unsecured, interest-bearing at 4% per annum and repayable on 9 October 2020. The term loan initially matured on 9 October 2017, with an option of the Group to extend the maturity for a further three years. During the year ended 31 March 2017, the Group exercised the option and the term loan was extended for further three years, maturing on 9 October 2020.

39. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group:

	Revaluation of properties under development for sale HK$'000	**Depreciation charges in excess of related depreciation allowance HK$'000**	**Revaluation of investment properties HK$'000**	**Temporary difference on LAT HK$'000**	**Tax losses HK$'000**	**Fair value difference of other intangible assets HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 April 2017	41,433	(16,519)	301,294	(90,748)	(18,065)	347,782	3,716	568,893
Credited/(charged) to profit or loss for the year (note 12)	(2,825)	16,677	650	972	18,065	(116,842)	(246)	(83,549)
Exchange differences	12,661	–	16,360	(7,664)	–	–	155	21,512
At 31 March 2018 and 1 April 2018	51,269	158	318,304	(97,440)	–	230,940	3,625	506,856
Credited to profit or loss for the year (note 12)	**(289)**	**–**	**(33,510)**	**(3,982)**	**–**	**(121,680)**	**(2,960)**	**(162,421)**
Exchange differences	**(9,100)**	**–**	**(11,398)**	**5,297**	**–**	**–**	**(61)**	**(15,262)**
At 31 March 2019	**41,880**	**158**	**273,396**	**(96,125)**	**–**	**109,260**	**604**	**329,173**

39. Deferred Tax *(Continued)*

The following is the analysis of the deferred tax balances (after offset) for the consolidated statement of financial position purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax liabilities	**427,218**	605,749
Deferred tax assets	**(98,045)**	(98,893)
	329,173	506,856

At the end of the reporting period, the Group has unused tax losses of approximately HK$312,387,000 (2018: HK$209,235,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$171,946,000 (2018: HK$72,405,000) that will expire within five years. Other tax losses do not expire under the current tax legislation.

40. Trade and Bills Payables

The ageing analysis of trade and bills payables, based on the date of receipt of goods and the payment due date, is as follows:

	2019 HK$'000	2018 HK$'000
Not yet due	**348,238**	344,928
Due within 3 months or on demand	**190,619**	68,316
Due after 3 months	**277,339**	110,416
	816,196	523,660

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
US$	**205,860**	99,180
RMB	**601,125**	410,341
MYR	**9,211**	14,139
	816,196	523,660

41. Other Payables and Deposits Received

	2019	2018
	HK$'000	HK$'000
Accrued expenses	**103,620**	60,637
Due to related companies (note (a))	**125,812**	80,506
Other payables (note (b))	**627,182**	454,165
Receipts in advance (note (c))	**1,213,512**	589,335
Rental deposits received	**14,407**	15,379
Performance guarantee received (note (d))	**496,772**	150,000
	2,581,305	1,350,022

Notes:

(a) Due to related companies of approximately HK$125,812,000 (2018: HK$80,506,000) are unsecured, interest-free and repayable on demand.

(b) Included in other payables are amounts of approximately:

(i) HK$101,886,000 (2018: HK$91,523,000) representing other loans that are unsecured, interest-bearing at 10%-12% per annum and repayable on demand.

(ii) HK$Nil (2018: HK$34,602,000) representing margin loan granted by a securities broker.

(iii) HK$215,711,000 (2018: HK$155,807,000) representing advance from independent third parties that are unsecured, interest- free and repayable on demand.

(iv) HK$66,521,000 (2018: Nil) representing deposits received for disposing of certain investment properties located in Guangzhou City, Guangzhou Province, PRC at a consideration of approximately RMB92,700,000 (equivalent to approximately HK$108,018,000).

(c) Receipts in advance represented sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

(d) On 13 March 2018, Greater Sino Investments Ltd. ("Greater Sino"), Honwill Limited ("Honwill") (both Greater Sino and Honwill are indirect wholly-owned subsidiaries of the Company at the time of agreement) and Dongguan City Danxin Property Company Limited* (東莞市丹新置業有限公司) entered into a co-operation agreement with Dongguan Vanke Real Estate Company Limited* (東莞市萬科房地產有限公司) ("Dongguan Vanke") and Hybest (BVI) Company Limited ("Hybest"), both indirect wholly-owned subsidiaries of China Vanke Co., Ltd.* (萬科企業股份有限公司) (collectively referred to the "Purchasers"), through disposing 49% of the equity interests in Honwill to Hybest and 70% of equity interests in Dongguan Honwill Limited* (東莞市敬培實業有限公司) ("Dongguan Honwill") to the Purchasers at a consideration of RMB830,000,000 (equivalent to approximately HK$1,023,000,000) (subject to adjustments), to dispose of the Group's interest in the property development project in Dongguan (the "Honwill Disposal"). Dongguan Honwill and its subsidiary own the entire interest in the Group's property development project in Dongguan. At 31 March 2019, the Group has received a performance guarantee amount of approximately HK$496,772,000 (2018: HK$150,000,000) and classified as performance guarantee amount received. Based on the latest development, the Group anticipates that the Honwill Disposal will not be completed within 1 year.

* the English translation of the companies' name is for reference only. The official name of these companies are in Chinese.

41. Other Payables and Deposits Received *(Continued)*

The following table provides information about the Group's revenue related contract liabilities included in other payables and deposits received upon adoption of IFRS 15:

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Upfront payments received from customers for sales of properties and investment properties	**1,280,033**	589,335	–

There was no significant change in the contract liabilities balance during the reporting period.

Movements in contract liabilities:

	HK$'000
At 1 April 2018	**589,335**
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(36,025)**
Exchange differences	**(31,453)**
Increase in contract liabilities as a result of advance received from customers	**673,071**
Increase in contract liabilities as a result of accruing interest expenses on advance	**85,105**
At 31 March 2019	**1,280,033**

The amount of upfront payment received that is expected to be recognised as income after more than one year is approximately HK$237,045,000 (2018: HK$535,954,000).

42. Convertible Bonds

(a) CCB Convertible Bonds

In April and May 2016, the Company issued the US$20,000,000 (equivalent to approximately HK$156,000,000), 5% per annum guaranteed convertible bonds (the "CCB Convertible Bonds") to Cheer Hope Holdings Limited ("Cheer Hope"). The CCB Convertible Bonds are guaranteed by a director of the Company, Mr. Wong Ben Koon. The CCB Convertible Bonds bear interest at 5% per annum, with a redemption amount payable by the Company on the maturity that would yield an internal rate of return of 10%, and shall be matured on 15 April 2018, and upon a request in writing made by the Company, and with approval from the bondholder, the term of the bond shall be extended to 15 April 2019. Interests are payable semi-annually.

The CCB Convertible Bonds, at the option of Cheer Hope, are convertible in whole or in part of the outstanding principal amount of the CCB Convertible Bonds at any time which is 5 business days before the maturity date, at an initial conversion price into fully paid ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price was HK$0.27 per share.

42. Convertible Bonds *(Continued)*

(a) CCB Convertible Bonds *(Continued)*

On 29 June 2016, the Company, Cheer Hope and Mr. Wong Ben Koon entered into the deed of amendment (the "CCB CB Amendment Deed"), to amend certain terms and conditions of the CCB Convertible Bonds. The CCB CB Amendment Deed was effective on 19 July 2016. Pursuant to the CCB CB Amendment Deed, the conversion price and coupon rate were subject to adjustment with reference to the current market price per share on a conversion price reset calculation date stipulated in the CCB CB Amendment Deed.

Having regard to the substantial modification to the terms of the CCB Convertible Bonds, the original financial liability was extinguished upon the effective date of the CCB CB Amendment Deed, and a new financial liability was recognised. The conversion price was reset to HK$0.16 per share since 31 December 2016. In addition, the coupon rate of the CCB Convertible Bonds increased from 5% to 6% per annum and the applicable internal rate of return rate payable on the maturing date was increased from 10% to 11%.

On 19 September 2018, the Company, Cheer Hope and Mr. Wong Ben Koon entered into the second deed of amendment (the "CCB CB Second Amendment Deed"), to amend certain terms and conditions of the CCB Convertible Bonds. The CCB CB Second Amendment Deed was effective on 27 September 2018. Pursuant to the CCB CB Second Amendment Deed, the coupon rate of the CCB Convertible Bonds increased from 6% to 8% per annum and the maturity date was further extended to 15 April 2019. The modification was not accounted for as an extinguishment and gain on modification of terms of approximately HK$7,955,000 was recognised to account for the modification.

(b) PMIL Convertible Bonds

On 26 October 2016, the Company, Full Right as purchasers, and PMIL as vendor entered into the Amended Sale and Purchase Agreement in respect of the acquisition of 25% issued share capital of Indonesia Conch for the consideration of HK$450,000,000. The consideration for the acquisition shall be satisfied by the Company in the following manner: (a) as to HK$100,000,000 of the consideration shall be satisfied by convertible bonds, which interest bearing at 5% per annum (and 8% per annum starting from the maturity of third anniversary of the date of the issue) to PMIL (the "PMIL Convertible Bonds"); and (b) as to HK$350,000,000 of the consideration shall be satisfied by 2,333,333,333 Consideration Shares to PMIL.

Pursuant to the terms and conditions of the Amended Sale and Purchase Agreement, assuming there would be no other issue of new shares and no repurchase of existing shares before completion of the Amended Sale and Purchase Agreement, 2,333,333,333 Consideration Shares would be issued and the PMIL Convertible Bonds in a principal amount of HK$100,000,000 carrying rights to convert 666,666,667 shares would be issued to PMIL.

As at 14 July 2017, the acquisition was completed and the PMIL Convertible Bonds with the principal amount equal to HK$100,000,000 were allotted and issued in accordance with the terms of the Amended Sale and Purchase Agreement. On 21 August 2017, the Company redeemed a principal amount of HK$50,000,000 PMIL Convertible Bonds with carrying rights to convert into 333,333,334 shares and on 6 October 2017, the Company redeemed the remaining HK$50,000,000 PMIL Convertible Bonds with carrying rights to convert into 333,333,333 shares.

As at 31 March 2018, the PMIL Convertible Bonds were fully redeemed.

42. Convertible Bonds *(Continued)*

(c) Victory Convertible Bonds

On 24 October 2018, the Company entered into a placing agreement with Victory Securities Company Limited ("Victory Securities") as placing agent where Victory Securities agreed to place on a best effort basis in the principal amount of up to HK$30,000,000 convertible bonds of the Company (the "Victory Convertible Bonds") to at least six placees who were professional investors according to the definition of the Securities and Future Ordinance. The Victory Convertible Bonds bear interest at 8% per annum and shall be matured at the first anniversary upon issue of the Victory Convertible Bonds, which can be extended to the second anniversary of the issue of the Victory Convertible Bonds by agreement between the Company and the bondholders holding not less than 50% of the outstanding principal amount of the Victory Convertible Bonds. Interests are payable every three months in arrears from the date of issue.

The Victory Convertible Bonds, at the option of the bondholders, are convertible in whole or in part of the outstanding principal amount of the Victory Convertible Bonds at any time which is 10 business days before the maturity date, at an initial conversion price into fully paid ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price was HK$0.06 per share.

The placing transaction was completed on 8 November 2018 and a total HK$30,000,000 Victory Convertible Bonds were placed.

The movement of the liability components, equity component and derivative components are as follows:

	2019	2018
	HK$'000	HK$'000
Liability components:		
Convertible bonds		
At beginning of year	**176,827**	156,537
Issued during the year	**27,367**	81,512
Interest charged	**24,174**	30,984
Gain on modification of terms	**(7,955)**	–
Redeemed during the year	**–**	(83,089)
Repayment during the year	**(45,989)**	(9,117)
At end of year	**174,424**	176,827
Equity component:		
Convertible bonds		
At beginning of year	**–**	–
Issued during the year	**2,633**	9,546
Redeemed during the year	**–**	(9,546)
At end of year	**2,633**	–

42. Convertible Bonds *(Continued)*

	2019 HK$'000	2018 HK$'000
Derivative financial liabilities:		
Derivative liabilities embedded in convertible bonds		
At beginning of year	–	7,288
Fair value gain	–	(7,288)
At end of year	–	–

The interest charged for the year ended 31 March 2019 included (1) interest calculated by applying an effective interest rate of 17.99% to the liability components of CCB Convertible Bonds for the 24-month period since CCB Convertible Bond were issued up to the terms were modified; (2) interest calculated by applying an effective interest rate of 16.41% for the 12–month period since the terms of CCB Convertible Bonds were modified; and (3) interest calculated by applying an effective interest rate of 8% to the liability components of Victory Convertible Bonds for the 12–months period since Victory Convertible Bonds were issued.

The interest charged for the year ended 31 March 2018 included (1) interest calculated by applying an effective interest rate of 11.49% to the liability components of PMIL Convertible Bonds between the date of issuance (14 July 2017) and the date of redemption (21 August 2017 for HK$50,000,000 and 6 October 2017 for the remaining HK$50,000,000); and (2) interest calculated by applying an effective interest rate of 17.99% to the liability components of CCB Convertible Bonds for the 24-month period since CCB Convertible Bonds were issued.

The directors estimate the fair value of the liability components of the CCB Convertible Bonds and Victory Convertible Bonds at 31 March 2019 (2018: CCB Convertible Bonds) to be approximately HK$145,854,000 and HK$27,367,000 respectively (2018: HK$175,256,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative components are measured at their fair value at the end of reporting period. The fair values are estimated using Black-Scholes Model with Trinomial Tree method. The key assumptions used are as follows:

CCB Convertible Bonds

	31 March 2019	31 March 2018
Share price — The Company	HK$0.375	HK$0.067
Expected volatility	85.71%	39.74%
Expected life (years)	0.04	0.04
Risk free rate	1.76%	0.89%
Expected dividend yield	0%	0%

42. Convertible Bonds *(Continued)*

Cross-default of convertible bonds

As a consequence of the defaults on the 2017 Bonds (note 44), convertible bonds with carrying amount of approximately HK$174,424,000 (the "Cross-default CB") as at 31 March 2019 became immediately repayable and were classified as current liabilities. Further on 15 April 2019, the Group failed to repay the principal and interest of CCB Convertible Bonds on its maturity date. No remedies in respect of the Cross-defaults have been agreed with the bondholders up to the date of this report.

Breach of financial covenants of CCB Convertible Bonds

The CCB Convertible Bonds are subject to the fulfillment of covenants set out in the deed poll entered into by the Group with the bondholders. If the covenants are breached, the CCB Convertible Bonds will become payable on demand. During the year ended 31 March 2019, the Group breached certain covenant clauses in deed poll in relation to the maintenance of net asset value and total asset value-to-total equity ratio of the Group. As a result, CCB Convertible Bonds with carrying amount of approximately HK$146,666,000 (2018: Nil), which were already cross-defaulted, are subject to an early repayment option by the bondholders. CCB Convertible Bonds were already classified as current liabilities as at 31 March 2019 as a result of the Cross-defaults. No waivers in respect of the breach of the financial covenants of CCB Convertible Bonds have been obtained from bondholders up to the date of this report.

43. Other Borrowings

	2019 **HK$'000**	2018 HK$'000
Secured	**256,279**	287,646
Unsecured	**73,576**	81,828
	329,855	369,474
Less: Amount due for settlement within 12 months	**(299,792)**	(320,183)
Amount due for settlement after 12 months	**30,063**	49,291

The carrying amounts of other borrowings are denominated in HK$.

The ranges of effective interest rates at 31 March were as follows:

	2019	2018
Other borrowings	**6.7% to 26.3%**	6.5% to 16%

Other borrowings are arranged at fixed interest rates, thus exposing the Group to fair value interest rate risk.

Other borrowings of HK$256,279,000 (2018: HK$287,646,000) are secured by equity interests in certain subsidiaries of the Group, personal guarantee executed by Mr. Wong Ben Koon and Ms. Gloria Wong and the Group's other receivables (note 30(b)(ii)) (2018: equity interests in certain subsidiaries of the Group, personal guarantee executed by Mr. Wong Ben Koon, the Group's other receivables (note 30(b)(ii)) and available–for–sale financial assets (note 24)).

43. Other Borrowings *(Continued)*

Default of other borrowings

Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$109,086,000 in accordance with the repayment schedules set out in the borrowing agreements. As a result of the defaults, other borrowings with a carrying amount of approximately HK$119,860,000 (the "Default Other Borrowings") at 31 March 2019 became immediately repayable. No remedies in respect of the Default Other Borrowings have been agreed with the lenders up to the date of this report.

44. Guaranteed Notes and Bonds

	2019 **HK$'000**	2018 HK$'000
Guaranteed Notes (note (a))	**145,954**	177,790
Bonds (note (b))	**185,500**	198,000
	331,454	375,790
Less: Amount due for settlement within 12 months	**(331,454)**	(249,790)
Amount due for settlement after 12 months	**–**	126,000

Notes:

(a) In April and May 2016, the Company issued the US$20,000,000 (equivalent to approximately HK$156,000,000), 5% per annum guaranteed notes (the "Guaranteed Notes") to Cheer Hope. The Guaranteed Notes are guaranteed by a director of the Company, Mr. Wong Ben Koon. The Guaranteed Notes shall be matured on 15 April 2018, and upon a request in writing made by the Company, and with approval from the notes holder, the term of the bond shall be extended to 15 April 2019.

On 19 September 2018, the Company, Cheer Hope and Mr. Wong Ben Koon entered into the CCB CB Second Amendment Deed, to amend certain terms and conditions of the Guaranteed Notes. The CCB CB Second Amendment Deed was effective on 27 September 2018. Pursuant to the CCB CB Second Amendment Deed, the coupon rate of the Guaranteed Notes increased from 5% to 8% per annum and the maturity date was further extended to 15 April 2019. The modification was not accounted for as an extinguishment and gain on modification of terms of approximately HK$9,873,000 was recognised to account for the modification.

The interest charged for the year ended 31 March 2019 is calculated by applying an effective interest rate of 11.4% for the 24-month period since Guaranteed Notes were issued up to the terms were modified and by applying an effective interest of 14.7% to Guaranteed Notes for the 12-month period since the terms of Guaranteed Notes were modified. The interest charged for the year ended 31 March 2018 was calculated by applying an effective interest rate of 11.4% to Guaranteed Notes for the 24-month period since the respective guaranteed notes were issued.

(b) On 10 January 2017, the Company entered into an agreement pursuant to which a referral agent agreed to act as a referral agent for the purposes of referring subscribers to the Company on a best effort basis for the issue of the 6.5% coupon bonds due 2019 (the "2017 Bonds") in an aggregate principal amount of up to HK$300,000,000 during 10 January 2017 to 30 June 2017 and was further extended to 30 September 2017. At 31 March 2019, the 2017 Bonds in an aggregate principal amount of HK$142,000,000 (2018: HK$198,000,000) has been successfully subscribed by several independent institutional or private investors. The effective interest rate of the 2017 Bonds is 6.31% (2018: 6.31%).

On 18 January 2019, the Company entered into an agreement pursuant to which a referral agent agreed to act as a referral agent for the purposes of referring subscribers to the Company on a best effort basis for the issue of the 6.5% coupon bonds due 2020 (the "2019 Bonds") in an aggregate principal amount of up to HK$200,000,000 during 18 January 2019 to 31 December 2019. At 31 March 2019, the 2019 Bonds in an aggregate principal amount of HK$43,500,000 (2018: Nil) has been successfully subscribed by several independent institutional or private investors. The effective interest rate of the 2019 Bonds is 6.5% (2018: Nil).

44. Guaranteed Notes and Bonds *(Continued)*

Default of 2017 Bonds principal repayments

During the year ended 31 March 2019, the Group did not pay 2017 Bonds principal repayments of approximately HK$16,000,000 in accordance with the repayment schedules set out in the bond agreements. As a result of these defaults, bonds with a carrying amount of approximately HK$142,000,000 at 31 March 2019 became immediately repayable and were classified as current liabilities. No remedies in respect of the Default Bonds have been agreed with the bondholders up to the date of this report.

Cross-default of 2019 Bonds and Guaranteed Notes

As a consequence of the above defaults on the 2017 Bonds, Guaranteed Notes and 2019 Bonds with carrying amount of approximately HK$145,954,000 (the "Cross-default GN") and HK$43,500,000 (the "Cross-default Bonds") respectively as at 31 March 2019 became immediately repayable and were classified as current liabilities. Further on 15 April 2019, the Group failed to repay the principal and interest of Guaranteed Notes on its maturity date. No remedies in respect of the Cross-defaults have been agreed with the lenders up to the date of this report.

Breach of financial covenants of Guaranteed Notes

The Guaranteed Notes are subject to the fulfillment of covenants set out in the deed poll entered into by the Group with the bondholders. If the covenants are breached, the Guaranteed Notes will become payable on demand. During the year ended 31 March 2019, the Group breached certain covenant clauses in deed poll in relation to the maintenance of net asset value and total asset value-to-total equity ratio of the Group. As a result, Guaranteed Notes with carrying amount of approximately HK$145,954,000 (2018: Nil), which were already cross-defaulted, are subject to an early repayment option by the lenders. Guaranteed Notes were classified as current liabilities as at 31 March 2019 as a result of the Cross-defaults. No waivers in respect of the breach of the financial covenants of Guaranteed Notes have been obtained from lenders up to the date of this report.

45. Share-Based Payments

Equity-settled share option schemes

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 25 September 2009 and, unless otherwise cancelled or amended, remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

45. Share-Based Payments *(Continued)*

Equity-settled share option schemes *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the shares options granted and outstanding during the year are as follows:

Name or category of participant	Number of options outstanding as at 1 April 2018	Lapsed during the year	Adjustment resulted from share consolidation during the year	Number of options outstanding as at 31 March 2019	Date of grant of share options	Exercisable period	Exercise price of share options	Closing price of the shares immediately before date of grant of share options
							HK$	HK$
Director								
Dr. MAO Shuzhong	30,000,000	–	(27,000,000)	3,000,000	6 April 2011	6 April 2012 to 5 April 2021	4.1 (2018: 0.41)	0.41
Mr. LIU Yongshun	15,000,000	–	(13,500,000)	1,500,000	6 April 2011	6 April 2012 to 5 April 2021	4.1 (2018: 0.41)	0.41
Ms. Gloria WONG	10,000,000	–	(9,000,000)	1,000,000	6 April 2011	6 April 2012 to 5 April 2021	4.1 (2018: 0.41)	0.41
Mr. KONG Siu Keung	10,000,000	–	(9,000,000)	1,000,000	6 April 2011	6 April 2012 to 5 April 2021	4.1 (2018: 0.41)	0.41
	65,000,000	–	(58,500,000)	6,500,000				
Other								
Other employees	22,800,000	–	(20,520,000)	2,280,000	6 April 2011	6 April 2012 to 5 April 2021	4.1 (2018: 0.41)	0.41
Third parties	30,000,000	(30,000,000)	–	–	6 April 2011	6 April 2012 to 5 April 2021	4.1 (2018: 0.41)	0.41
	117,800,000	(30,000,000)	(79,020,000)	8,780,000				

45. Share-Based Payments *(Continued)*

Equity-settled share option schemes *(Continued)*

The number and weighted average exercise prices of the share options are as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of year	**117,800,000**	**0.41**	122,800,000	0.41
Lapsed during the year	**(30,000,000)**	**0.41**	(5,000,000)	0.41
Adjustment resulted from share consolidation during the year	**(79,020,000)**	**0.41**	–	–
Outstanding at the end of year	**8,780,000**	**4.1**	117,800,000	0.41
Exercisable at the end of year	**8,780,000**	**4.1**	117,800,000	0.41

At 31 March 2019, the options outstanding have a weighted average remaining contractual life of 2 years (2018: 3 years).

The vesting period for the share options are 12 months after commencement of the option period.

Save for the above, no share options were granted, exercised or cancelled under the Scheme during the year.

46. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 April 2018 HK$'000	**Cash flows** HK$'000	**Interest expenses/ finance lease charges** HK$'000	**Others (note)** HK$'000	**31 March 2019** HK$'000
Bank borrowings (note 36)	1,796,057	(785,044)	86,409	(19,043)	1,078,379
Finance lease payables (note 37)	269	(290)	34	–	13
Term loan from a related party (note 38)	266,364	–	10,424	1,257	278,045
Convertible bonds (note 42)	176,827	(15,989)	24,174	(10,588)	174,424
Other borrowings (note 43)	369,474	(121,844)	89,049	(6,824)	329,855
Guaranteed notes (note 44)	177,790	(42,029)	20,066	(9,873)	145,954
Bonds (note 44)	198,000	(17,684)	12,732	(7,548)	185,500
	2,984,781	(982,880)	242,888	(52,619)	2,192,170

	1 April 2017 HK$'000	Cash flows HK$'000	Interest expenses/ finance lease charges HK$'000	Acquisition of available-for-sales financial assets HK$'000	Settlement through current account HK$'000	Others (note) HK$'000	31 March 2018 HK$'000
Bank borrowings (note 36)	1,807,365	(112,315)	90,378	–	–	10,629	1,796,057
Finance lease payables (note 37)	1,149	(921)	41	–	–	–	269
Term loan from a related party (note 38)	255,643	–	10,721	–	–	–	266,364
Convertible bonds (note 42)	156,537	(9,117)	30,984	81,512	(100,000)	16,911	176,827
Other borrowings (note 43)	302,750	13,428	57,107	–	–	(3,811)	369,474
Guaranteed notes (note 44)	166,932	(7,866)	18,724	–	–	–	177,790
Bonds (note 44)	72,000	121,146	11,110	–	–	(6,256)	198,000
	2,762,376	4,355	219,065	81,512	(100,000)	17,473	2,984,781

Note: Others represented gains on modification of terms, recognition of equity component of convertible bonds, losses on early redemption of convertible bonds, exchange differences and changes in accrued interest.

47. Contingent Liabilities

Financial guarantees issued

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	2019	2018
	HK$'000	HK$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	**277,719**	341,029

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

At 31 March 2019, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

(b) The Group provided security to various banks for loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary as follows:

	2019	2018
	HK$'000	HK$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	**907,717**	898,326

Pursuant to the terms of the guarantees, if there are any defaults on the loans, the Group shall have the responsibility to repay the outstanding loan principals together with accrued interests and penalties owed by the non-controlling shareholder of a subsidiary and its subsidiary to the banks. The Group is then entitled to take over such percentage equity interests in the subsidiary at nil consideration.

At 31 March 2019, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

Save for the above, the Group and the Company did not have other significant contingent liabilities.

48. Banking Facilities

As at 31 March 2019, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment (note 18), investment properties (note 19), financial assets at FVTOCI (note 25), inventories (note 28) and certain bank deposits (note 31) of the Group;

(b) equity interests in certain subsidiaries of the Group;

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries;

(e) personal guarantees executed by Mr. Wong Ben Koon, Ms. Gloria Wong and directors of subsidiaries;

(f) deed of subordination of term loan by a related company;

(g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary (note 21); and

(h) equity interests in certain companies executed by Mr. Wong Ben Koon and a related company.

As at 31 March 2018, the Group's banking facilities were secured by:

(a) the charge over certain property, plant and equipment (note 18), investment properties (note 19), inventories (note 28) and certain bank deposits (note 31) of the Group;

(b) equity interests in certain subsidiaries of the Group;

(c) corporate guarantee of the Company;

(d) corporate guarantees of subsidiaries;

(e) personal guarantees executed by Mr. Wong Ben Koon and directors of subsidiaries;

(f) deed of subordination of term loan by a related company;

(g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary (note 21); and

(h) equity interests in certain companies executed by Mr. Wong Ben Koon and a related company.

49. Commitments

As at 31 March 2019, the Group had the following commitments:

(a) Operating lease commitments — as lessee

The Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**16,607**	67,366
In the second to fifth years, inclusive	**9,884**	1,441
	26,491	68,807

Operating lease payments represent land costs payable by the Group for the properties under development for sale of approximately HK$9,520,000 (2018: HK$61,675,000) and rentals payable by the Group for the office premises and staff quarters of approximately HK$16,971,000 (2018: HK$7,132,000). Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period ranging from 1 to 10 years (2018: 1 to 10 years), with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**70,263**	83,698
In the second to fifth years, inclusive	**182,033**	240,415
After five years	**151,186**	180,612
	403,482	504,725

50. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the year:

(a) Compensation of key management personnel

	2019	2018
	HK$'000	HK$'000
Directors' fees	**1,240**	1,240
Basic salaries, allowances and benefits in kind	**19,494**	24,981
Retirement benefit scheme contributions	**475**	1,117
	21,209	27,338

(b) Donations for the year

	2019	2018
	HK$'000	HK$'000
A related party[(i)]	**–**	1,761

(c) Interest expense during the year

	2019	2018
	HK$'000	HK$'000
Related companies[(ii)]	**10,423**	10,721

(d) Other receivables as at 31 March

	2019	2018
	HK$'000	HK$'000
Related companies[(ii)]	**41,486**	81,499

Notes:

(i) Mr. Wong Ben Koon is the president of the unincorporated association.

(ii) Mr. Wong Ben Koon is also a director of and has beneficial interest in these companies.

51. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Billion Win	The British Virgin Islands ("BVI")	10,000 ordinary shares of US$1 each	–	100%	Investment holding
Bliss Hero Investment Limited	Hong Kong	3,000,100 ordinary shares of HK$1 each	–	100%	Investment holding
Δ Binhai Qiaohong Zhiye Limited	The PRC	Registered capital of RMB300,000,000	–	100%	Property development
Δ Dongguan City Danxing Industrial Company Limited ("Danxing")	The PRC	Registered capital of RMB13,540,000	–	70%	Property development
Δ Dongguan Honwill	The PRC	Registered capital of RMB204,359,486	–	70%	Property development
First World Venture Resources Sdn. Bhd.	Malaysia	100 ordinary shares of MYR1 each	–	70%	Provision of transportation services
Globest Participacoes Ltda ("GPL")	Brazil	61,524,903 ordinary shares of Brazil Reais $1 each	–	85%	Mining and processing of iron ore
Grace Wise Pte. Ltd.	Singapore	1 ordinary share of Singapore dollar 1 each	–	100%	Trading of iron ore
# Δ Guangzhou Bliss Hero Real Estate Development Limited	The PRC	Registered capital of HK$270,000,000	–	100%	Property leasing
* Δ Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Fuchun Dongfang")	The PRC	Registered capital of RMB420,000,000	–	55%	Property development, sales and leasing
#Δ Guilin Star Brite Stone Materials Co., Ltd.	The PRC	Registered capital of US$9,800,000	–	60%	Mining and processing of granite and selling of granite products

51. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
#Δ Hangzhou Chengzhuo Trading Company Limited	The PRC	Registered capital of RMB36,000,000	–	100%	Trading of iron ore and steel
#Δ Hangzhou Gangchang Technology & Trade Company Limited	The PRC	Registered capital of RMB35,000,000	–	100%	Trading of iron ore equipment
Lead Hero Investments Limited	BVI	33,334 ordinary shares of US$1 each	–	70%	Investment holding
Prosperity Materials Macao Commercial Offshore Limited	Macao	100,000 ordinary shares of Macao Pataca ("MOP") 1 each	–	100%	Trading of iron ore
Phoneix Lake Sdn. Bhd.	Malaysia	6,242,002 ordinary shares of MYR1 each	–	100%	Mining and processing of iron ore
PMHL	Jersey	143,391,230 ordinary shares of Great Britain Pound 0.01 each	64.07%	35.93%	Investment holding
Pro-Rise Business Limited	BVI	1,000 ordinary shares of US$1 each	–	100%	Investment holding
Profit World Ventures Limited	BVI	20,000 ordinary shares of US$1 each	100%	–	Investment holding
Prosperity Cement (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of clinker, cement and other building materials
Prosperity Cement (Asia) Limited — Macao Commercial Offshore	Macao	1 ordinary share of MOP100,000 each	–	100%	Trading of clinker, cement and other building materials
Prosperity Minerals Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of advisory, planning and administrative services

51. Principal Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and fully paid-up capital	Equity interest Direct	Equity interest Indirect	Principal activities
Prosperity Minerals Management Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	100%	Provision of human resources and administrative services
Prosperity Real Estate Holdings Limited	Bermuda	1 ordinary share of HK$1 each	–	100%	Investment holding
Prosperity Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Trading of building materials
PT. Tritama Barata Makmur	Indonesia	45,000 ordinary share of Indonesia Rupiah 1,000,000 each	–	75%	Property development
Sharp Advance International Limited	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Success Top Enterprise Ltd.	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of building materials
#Δ Xuyi Changxing Property Co., Ltd.	The PRC	Registered capital of RMB133,000,000	–	50%	Property development
Δ* Suzhou Jiaxin Real Estate Development Company Limited	The PRC	Registered capital of RMB100,000,000	–	55%	Property development
WM Aalbrightt Investment Holdings (Hong Kong) Limited	Hong Kong	100,000 ordinary shares of HK$1 each	–	60%	Investment holding
#Δ Zhejiang Changxing Investment Co., Ltd. ("Zhejiang Changxing")	The PRC	Registered capital of US$58,600,000	–	100%	Investment holding
#Δ Suqian Shengda Real Estate Development Co., Ltd. ("Suqian Shengda")	The PRC	Registered capital of RMB100,080,000	–	70%	Property development
UGL	BVI	2 ordinary shares of US$1 each	–	85%	Investment holding

51. Principal Subsidiaries *(Continued)*

a wholly-owned foreign enterprise established in the PRC

* a sino foreign equity joint venture established in the PRC

Δ the English translation of the companies' names is for reference only. The official name of these companies are in Chinese

The following table shows information of subsidiaries that have non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Dongguan Honwill and Danxing (Note)		Fuchun Dongfang	
	2019	2018	**2019**	2018
Principal place of business and country of incorporation	**The PRC**	The PRC	**The PRC**	The PRC
% of ownership interests and voting rights held by non-controlling interests	**30%**	30%	**45%**	45%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 March				
Non-current assets	**15,463**	16,830	**2,102,334**	2,261,524
Current assets	**653,520**	518,401	**730,866**	807,544
Non-current liabilities	**–**	–	**(305,924)**	(352,445)
Current liabilities	**(256,657)**	(90,597)	**(699,577)**	(736,216)
Net assets	**412,326**	444,634	**1,827,699**	1,980,407
Accumulated non-controlling interests	**188,018**	201,345	**822,465**	891,183
Year ended 31 March				
Revenue	**–**	–	**70,398**	96,879
(Loss)/profit for the year	**(7,906)**	(8,862)	**(44,941)**	23,431
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(7,906)**	(8,862)	**(44,941)**	23,431
(Loss)/profit allocated to non-controlling interests	**(2,372)**	(2,659)	**(20,223)**	10,544
Net cash generated from/(used in) operating activities	**77,100**	219,559	**7,669**	(23,688)
Net cash (used in)/generated from investing activities	**(39,625)**	(232,391)	**(116)**	17,953
Net cash (used in)/generated from financing activities	**(46,580)**	13,372	**(16,601)**	(15,887)
Net (decrease)/increase in cash and cash equivalents	**(9,105)**	540	**(9,048)**	(21,622)

51. Principal Subsidiaries *(Continued)*

Note: During the year ended 31 March 2018, the Group entered into a co-operation agreement with Dongguan Vanke and Hybest, both indirect wholly- owned subsidiaries of China Vanke Co., Ltd., to dispose of 49% of the equity interests in Honwill, the immediate holding company of Dongguan Honwill, to Hybest and 70% of equity interests in Dongguan Honwill to Donggaun Vanke. Up to the date of the consolidated financial statements, the disposal has not yet completed and is not expected to be completed within 1 year.

As at 31 March 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$13,913,000 (2018: HK$33,922,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

52. Events after the Reporting Period

(a) Pursuant to an equity transfer agreement dated 3 April 2019 entered into between UGL and Globest Resources Limited (both indirect non-wholly owned subsidiaries of the Company, collectively the "Vendors"), Goldcoltan Minerais Ltda and Light Engenharia E Comercio Eireli, the Vendors disposed of the entire equity interests in GPL at a consideration of approximately US$4,500,000 (equivalent to approximately HK$35,100,000). The Group anticipates that the disposal will be completed by the end of 2019 but GPL is not classified as held for sale at the end of the reporting period due to certain conditions precedent in the agreement not yet fulfilled.

(b) On 25 April 2019, Zhejiang Changxing, an indirect wholly-owned subsidiary of the Company, and Changxing Tianyue Corporate Management Co., Ltd.* (長興天悦企業管理有限公司) ("Changxing Tianyue") entered into a sales and purchases agreement to dispose of 20% equity interest in Dali Gangxing, a joint venture of the Group, at a cash consideration of RMB24,000,000 (equivalent to approximately HK$27,360,000) (the "Dali Gangxing Disposal"). The Dali Gangxing Disposal was completed on 15 May 2019 and the Group continued to own 30% equity interests in Dali Gangxing.

(c) On 10 May 2019, Zhejiang Changxing and Zhejiang Kunyuan Economic Trading Co., Ltd.* (浙江坤元經貿有限公司) ("Zhejiang Kunyuan") entered into a sales and purchases agreement to dispose of 21.72% equity interest in Suqian Shengda, an indirect non-wholly owned subsidiary of the Company, at a consideration of RMB25,000,000 (equivalent to approximately HK$28,500,000), which shall be settled by releasing and discharging the outstanding debts in the amount of RMB25,000,000 owing by Zhejiang Changxing to Zhejiang Kunyuan in full (the "Suqian Shengda Disposal"). The Suqian Shengda Disposal was completed on 17 May 2019 and the Group continued to own 48.28% equity interests in Suqian Shengda. The financial positions and results of Suqian Shengda were no longer consolidated into the financial statements of the Group and became an associate of the Group.

(d) On 30 May 2019, 69,341,149 ordinary shares of HK$0.1 each were issued at HK$0.13 per share by way of a rights issue on the basis of two rights share for every five shares held. The net proceed of approximately HK$6,300,000 will be used for general working capital purposes. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(e) Subsequent to the reporting date the Group did not pay principal and interest of approximately HK$418,210,000 in accordance with the repayment schedules or repayment on demand clause set out in the borrowing agreements. This non-payments resulted in the triggering of several default events as set out in the borrowing agreements of certain Cross-default CB, bank borrowing, Default Other Borrowings and Cross-default GN with carrying amounts of approximately HK$146,666,000, HK$150,527,000, HK$119,860,000 and HK$145,954,000 respectively as at 31 March 2019.

* the English translation of the companies' name is for reference only. The official name of these companies are in Chinese.

52. Events after the Reporting Period *(Continued)*

Demand letters from legal representatives of property constructors and lenders for repayment of certain construction costs, Cross-default Bank Borrowings, bank borrowings and Default Other Borrowings with amounts of approximately HK$608,949,000, HK$131,863,000, HK$154,603,000 and HK$106,625,000 respectively were received. Agreements with repayment schedules were entered into with the property constructors. Negotiations with lenders are underway but no extensions to the repayment dates of Cross-default Borrowings, bank borrowings and Default Other Borrowings have been obtained from the lenders up to the date of this report.

(f) On 15 July 2019, the Company and a potential investor (the "Potential Investor") entered into a non-legally binding letter of intent for a restructuring plan (the "Restructuring Plan"), pursuant to which:

(i) the Company will enter into a Bermuda scheme of arrangement whereby a new holding company (the "New Holdco") will be incorporated to acquire the Company;

(ii) the listing of the Company will be transferred to the New Holdco;

(iii) all existing shareholders of the Company will exchange their shares in the Company for shares in New Holdco;

(iv) the Potential Investor will inject cash of up to approximately HK$50 million and an income-generating assets valued at no less than HK$50 million to be agreed into the New Holdco (collectively the "Investment"); and

(v) following the completion of the Investment, the Potential Investor will become the controlling shareholder of the New Holdco.

Upon completion of the Restructuring Plan, the Potential Investor and its associates is expected to control no less than 50% of the voting rights of the New Holdco while the existing shareholders of the Company is expected to control no more than 50% of the voting rights of the New Holdco. A 120-day exclusivity period has been granted during which the Company will negotiate exclusively with the Potential Investor.

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

As at 31 March 2019

	Location	Term of lease	Type of use
1.	B1-B3, 1/F.-4/F. of Oriental Landmark, at the junction of Wen De Road and Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Medium-term lease	Retail outlets and car parking spaces

SUMMARY OF PROPERTIES UNDER DEVELOPMENT FOR SALE

As at 31 March 2019

	Location	Intended use	Expected completion date	Equity interest	GFA (sq.m.)
1.	Oriental Landmark, at the junction of Wen De Road and Wen Ming Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Residential, office and car parking spaces	Completed	55%	63,200
2.	One City, No. 231 Chang Xing Road, Binhai county, Yancheng City, Jiangsu Province, the PRC	Residential, shops and car parking spaces	Phase 2: 2019/2021	100%	443,677
3.	FuYuan, Jin Ting Road North, Jin Ting Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	Residential	Completed	55%	100,000
4.	Longping Road North, Guanjingtou Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC	Residential and commercial	N/A (Note)	70%	64,000
5.	At the junction of Jalan Kembangan and Jalan Puri Indah, West Jakarta, the Indonesia	Residential	2021	75%	20,600
6.	Imperial Land, at Suyu District near Jiang Shan Avenue and Heng Shan Road, Suqian City, Jiangsu Province, the PRC	Residential, shops and car parking spaces	2020	70%	140,000
7.	At Xuyi Development Zone near Meihua Road and Kuihua Road, Xuyi County, Huaian City, Jiangsu Province, the PRC	Residential and commercial	2020	50%	237,742

Note: In 2018, the Company sold its equity interests of this project. Up to the date of this report, the transaction has not been completed.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in note below:

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**2,330,968**	4,479,820	4,521,452	2,008,509	3,578,700
Loss before tax	**(2,025,033)**	(1,009,071)	(62,929)	(306,487)	(635,509)
Income tax credit/(expense)	**90,337**	19,629	(64,953)	(262)	(122,392)
Loss for the year	**(1,934,696)**	(989,442)	(127,882)	(306,749)	(757,901)
Attributable to:					
Owners of the Company	**(1,829,401)**	(961,012)	(119,733)	(263,209)	(839,453)
Non-controlling interests	**(105,295)**	(28,430)	(8,149)	(43,540)	81,552
	(1,934,696)	(989,442)	(127,882)	(306,749)	(757,901)

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**3,172,830**	4,708,237	4,955,901	5,169,025	5,867,185
Current assets	**4,381,736**	4,537,221	4,533,330	3,418,943	3,971,705
Current liabilities	**(5,772,561)**	(4,425,561)	(4,159,015)	(3,374,561)	(3,960,222)
Non-current liabilities	**(885,067)**	(1,682,100)	(1,968,415)	(1,754,970)	(2,516,934)
Total equity	**896,938**	3,137,797	3,361,801	3,458,437	3,361,734
Attributable to:					
Owners of the Company	**(112,918)**	1,964,153	2,340,843	2,569,632	2,408,560
Non-controlling interests	**1,009,856**	1,173,644	1,020,958	888,805	953,174
	896,938	3,137,797	3,361,801	3,458,437	3,361,734

Note: Amounts disclosed in the summary financial information for prior years were extracted from the annual report for the year ended 31 March 2018.